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- Helping Employees Buy Common Stock
- Human Relations: Where Do We Stand?
- Spending Patterns of Older Persons
- Efficiency Features of a Cafeteria

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CONTENTS

SPECIAL ARTICLES

Helping Employees to Buy Common Stock 74

Human Relations: Where Do We Stand Today? (Round Table) 78

- Thomas G. Spates 78
- Peter F. Drucker 80
- Chris Argyris 82

Spending Patterns of Older Persons 85

Efficiency Features Provide Speedy Cafeteria Service 88

The Conference Problem 92

REGULAR FEATURES

Briefs on Personnel Practices 95

Labor Press Highlights 98

Significant Labor Statistics 102

Wage and Fringe Developments in Bargaining 103

Significant Pay Settlements 105

Management Bookshelf 84, 91, 94

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• In the Record •

Helping Employees to Buy Common Stock

A company may see the value of having employees invest in common stock; but for various reasons, the firm may not want to introduce a savings and investment plan that calls for financial contributions on the part of the company.

This was the case of the American Motors Corporation when it introduced an adaptation of MIP (Monthly Investment Plan), a program sponsored by member firms of the New York Stock Exchange. Under American Motors' MIP, the employee, through regular payroll deductions, may purchase any stock he chooses which is listed on the NYSE. Unlike the usual company-sponsored MIP program, he is not restricted to the employing company's stock.

Although American Motors has not made any formal evaluation of its year-old plan, it has extended MIP to all employees—hourly and salaried. And the president suggests that "firsthand experience with the rewards and sacrifices involved in our profit-and-loss system is a useful form of adult education . . . and should help to further strengthen the bond between management and its employees." The article starts on the next page.

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Human Relations: Where Do We Stand Today?

If one looks back over the last forty years, the progress made in the field of "human relations"—which could hardly be said to exist in 1918—seems substantial. According to Tom Spates, one of the founding fathers of modern personnel administration, the predominant pattern of executive leadership in 1918 could be summed up by the phrase "treat them rough and tell them nothing."

Today, a philosophy based on respect for human dignity has generally replaced the "treat them rough" concept, according to Mr. Spates; and with this change, communication has become of vital concern to management. Mr. Spates also sees a growing recognition that the active cooperation of the workers is, in general, more effective than any system of penalties and punishments.

Is all well, then, in the house of human relations?

Not so, says Peter Drucker. He suggests that "we have added almost nothing to the things invented by a small band of pioneers who first began working in this field." Perhaps an even more serious charge he levels is that human relations is often used to manipulate or "adjust" people.

As Mr. Drucker sees it, business is only a "partial" institution in a pluralistic society; and it is not compatible with the dignity of man for business to try to gain the total loyalty of employees.

The third speaker in this Round Table discussion, Chris Argyris, takes a look at human relations in terms of where we are now and where he thinks we are going. His first hypothesis is that human relations will shift from a policy that requires people to always be friendly and like one another to a policy that permits freedom for people to dislike as well as be friendly. Mr. Argyris suggests that this change will come about because it is unrealistic to expect all people to like one another, and it may be harmful to the individual and the company to try to enforce it. In a word, he suggests that the future will see a more realistic philosophy of management that takes into consideration both the needs of the organization and the needs of the individual.

This provocative Round Table starts on page 78.

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The Conference Problem

Some people enjoy discussing moot questions. But most find it difficult to concentrate on a problem just for practice. The topic may be theoretically important, yet who will become excited about it unless it touches his self-interest. Hence, the first prerequisite for a successful business conference is the choice of a timely and pertinent problem. If the conferees are unable to "identify" with the problem, at best they will be apathetic; at worst, resentful that their time is being wasted.

The article on page 92 discusses the proper selection and correct phrasing of the conference problem. In addition, the choice of conferees best suited to the discussion is analyzed.

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Briefs on Personnel Practices

The new department on personnel briefs, which starts on page 95 this month, tells of:

- The contract that requires union men to redo faulty work on their own time;
- The Monroe Plan which industry started to advance the teaching of science;
- The blind man who controls the New York Thruway's complicated electronic computer;
- The babies of employees who come into the world as stock owners;
- The union that will bargain on both sides of the table this fall.

Helping Employees to Buy Common Stock

American Motors' adaptation of the Monthly Investment Plan has made it possible for employees to buy common stock via authorized payroll deductions

THE IDEA of giving employees an opportunity to acquire common stock through payroll deductions has become increasingly popular in recent years. Companies give several reasons why they initiate programs and are willing to underwrite the administrative costs for employees to become stockholders. Some of the more prevalent reasons are:

- To promote employee thrift
- To provide additional retirement income
- To provide a hedge against inflation
- To make employees partners in the company
- To better acquaint employees with the principles and advantages of the free enterprise system

A vast majority of the present-day plans are designed to help employees acquire only the employing company's stock. More recently, a few companies have departed from this conventional practice; they permit employees to invest their savings in any listed stock. The employees place their orders to buy stock by dealing directly with a securities broker. And the employers remit the payroll deductions periodically to the securities broker in the name of the individual employee. This type of plan is an adaptation of MIP (Monthly Investment Plan) introduced by member firms of the New York Stock Exchange five years ago. MIP is designed to make it easy for just about everyone to own common stocks listed on the New York Stock Exchange by putting aside as little as $40 each quarter.

A LOOK AT THE HISTORY

Employee stock-purchase plans flourished during the feverish speculation of the Twenties. Following the 1929 crash and throughout the Thirties, there was little interest in these plans, either by employers or employees. But since 1945, the pendulum has been swinging in the opposite direction.

This revival in interest among companies and employees has also brought into being some new ideas about stock-acquisition plans. And certain safeguards, not used in the Twenties, are built into many of today's plans. For example, some companies give their employees a chance to acquire stock, with little or no risk, using thrift plans or savings and investment plans.[1] However, other companies have the straight stock-purchase type of plan with all of its attendant risks.

A few companies have adopted special stock-option plans in which all levels of salaried employees participate.[2] Under these plans, employees are given an option to purchase a limited number of shares of company stock at market prices prevailing on the date of such options. The shares are paid for over a period of thirty-five months through payroll deductions. Employees are free to pull out of the plan entirely or reduce their commitment to fewer shares any time during these thirty-five months. And any money withheld that is not used for stock purchases is returned with interest.

Another innovation is the savings and stock-bonus plan. Under this type of plan, employees authorize the company to make weekly, biweekly, semimonthly or monthly payroll deductions and to purchase United States Savings Bonds. The bonds are left on deposit with the company. Individual employee accounts are credited at the end of each year with a stock bonus that is proportionate to the purchase value of the total bonds bought during the year. If the bonds are left in the custody of the company for a given number of years, the company then makes delivery to the employee of the bonus stock, as well as the income accumulated therefrom, and the United States Savings Bonds.

EMPLOYEE INTEREST

But how do employees feel about such plans? Are they availing themselves of the opportunity to acquire company stock? Companies having these plans answer this question with a resounding "Yes." For example, a large electrical equipment manufacturer reports that 110,000 employees—or 90% of those eligible—are par-

[1] Features of employee thrift-savings and investment plans are described in the following issues of the *Management Record*: June, 1954, p. 241, The Union Oil Company of California; August, 1955, p. 330, E. I. du Pont de Nemours & Company and Standard Oil Company (Indiana); March, 1956, p. 99, General Motors Corporation and Richfield Oil Company; April, 1956, p. 141, Ford Motor Company. Details of thirty-three savings and investment plans are outlined in *Management Record*, May, 1956, p. 164 as well as in "Employee Savings and Investment Plans," *Studies in Personnel Policy*, No. 133, 1953.

[2] For details of this type of stock-option plan, see "Stock Options for All Employees," *Management Record*, Oct., 1958, p. 338.

ticipating in the company's savings and stock-bonus plan. And during 1958, stockholders gave their approval to a management proposal for expanding the plan. Now, eligible employees can collectively save up to a maximum of $70 million each year, with the company contributing up to $10.5 million in common stock. For the year 1957, the company credited employee accounts in the plan with bonus stock having a value of $6.5 million.

Another company reports its employee stock option plan was oversubscribed even before all eligible employees were thoroughly apprised of the plan's provisions.

Therefore, the indications are that more and more rank-and-file employees are eager to acquire common stock on easy terms. No doubt, many employees are aware of the long-term general rise in the value of securities and want to share in these gains.

Although labor unions tend to be noncommittal on stock-acquisition plans, the Oil Workers International Union has been a party to company programs initiated by several West Coast oil firms. And not too many months ago, the president of one of the largest UAW locals proposed scrapping the company's supplemental unemployment benefit program in exchange for participation in the company's savings and investment plan.

However, not all managements feel that employee ownership of company stock is a good idea. Included in this group are those managements that have not forgotten how millions of dollars of employee savings in common stock were sharply deflated after the crash of 1929. Others feel strongly that the company stock is too "volatile," and therefore employees with limited means should not be subject to the attendant wide swings in stock prices. Also, there are some managements who feel the company's competitive position in the industry is not such as to warrant an employee stock plan. The outlay for this fringe benefit may be simply prohibitive.

Obviously the individual company must weigh all the advantages and disadvantages of an employee stock-purchase plan in terms of its own competitive position before arriving at a decision. And it may be a difficult decision to make.

AUTO COMPANY FOLLOWS NEW COURSE

American Motors Corporation, almost from the time the company was formed in May, 1954, found that employees were inquiring about the possibilities of buying company stock in one way or another. Some wanted to know about the merits of buying a stake in the company on their own through securities brokers. The persistence of the questioning raised delicate employee-relations problems for management.

Any stock-buying program that the company might have offered at that time would not have been advantageous from the employees' point of view. The new company planned a number of major capital expenditures in order to be competitive. Under the circumstances, prospects for continuing dividend payments did not look too bright. On the horizon there was strong evidence that the automobile and home appliance markets would be highly competitive. Today, the company says it was fortunate in this respect because the consumers supported its new product concepts. However, American Motors recognized at the time that if its product concepts were rejected, the market value of the company's stock would be affected adversely.

Employee Morale

Although the company management had projected future operations and firmly believed in the objectives it could achieve, there was a deep concern about sustaining the morale and confidence of employees who sought advice on acquiring company stock. Yet, the company did not want any of its officers, managers or supervisors to assume the responsibility of advising employees to buy or not to buy stock. The general feeling was that the company should not sponsor any program that permitted managers to involve themselves in the highly personal matter of what an employee should do with his savings. And obviously whether an employee invested his savings in company stock was not to be viewed as a valid criterion of either his loyalty to the company or his value to his boss.

In 1955, after negotiating supplemental unemployment benefit plans with their unions, the major automobile companies put into effect thrift-savings and investment plans for nonunion employees.[1] American Motors, along with the others in the industry, negotiated SUB plans with their unionized employees. However, although American Motors recognized the "fringe" benefit value of thrift-savings plans as well as their impact on employee morale, it decided not to match other automobile companies' contributory plans for acquiring common stock. The company president, George Romney, said, "To compete against some of America's most formidable and profitable giants, we've had to adopt programs that are different —just as our products have to be different."

The company had good reasons for not offering the thrift-plan fringe to nonunion employees. It was in a period of transition in designing, tooling-up and marketing its products. And feeling ran high that prospective customers should not be asked to pay higher prices for the products in order to provide this fringe to employees.

However, ways and means were explored that could

[1] The thrift-savings and investment plan was developed prior to negotiating SUB plans and was originally included in Ford Motor Company's counter proposal to the union's demand for a guaranteed annual wage in 1955.

implement the employees' desire to become stockholders. As a result of study and analysis, the company arrived at the following series of guideposts for setting up a stock-purchase plan:

- The company will not attempt to influence employees to buy or not to buy or when to buy securities.
- The company will not relate any investment program *per se* to the purchase of American Motors stock.
- Employees will be responsible for their choice of investments without benefit of counsel from the company.
- Insofar as possible, the program should seek to minimize financial risks.
- The program should be administered in a way that makes it convenient for employees to participate.
- The company will make no financial contributions nor guarantee the program.

Adaptation of MIP

During the fall of 1957, staff officers investigated MIP (Monthly Investment Plan), developed by member firms of the New York Stock Exchange, to determine whether it would meet the company's requirements.[1] MIP was adopted because of the following features:

- Employees can tailor their investment plans to meet individual requirements because of the flexible provisions of MIP.
- Employees have a wide choice of investment opportunities—more than 1,200 NYSE listed stocks are available under MIP.
- The company's long-established payroll deduction practice could be put at the disposal of employees who wished to earmark a portion of their pay, on some systematic basis, for investment purposes.
- The principle of *dollar cost averaging*,[2] coupled with regular payroll deductions, would help employees minimize the chance of serious financ hurt.

In practice, the American Motors' program mal it more convenient for employees to acquire sto under MIP because of the payroll-deduction serv offered by the company. The program encoura regular thrift—putting aside something out of inco every pay day for investment purposes. It enab employees to accumulate, over a period of time, sto which they might not otherwise buy if they had "save up" on their own. The plan is appropriat labeled as the *"invest as you please program."*

Installing the Plan

A brief questionnaire concerning the proposal v circulated to managerial and supervisory personnel the central office. Attached to the questionnaire v a copy of a sixteen-page booklet, "The Story of Monthly Investment Plan," published by the N York Stock Exchange member firms. Any of managerial or supervisory people who indicated interest in the plan, or those who asked for more formation, were invited to attend a group meeting.

Company officials attended, and a representative a Stock Exchange member firm presided over meeting. After a short talk on MIP by the Stock change firm representative, questions from the fl were encouraged. The meeting lasted for only a sh time. It was adjourned on the note that employ inform the salary administration section in person whether they were interested in participating.

The *"invest as you please program"* got underw when some 10% of the employees originally express interest in the questionnaire decided to enroll.

Employees enroll in the plan by completing t short forms: payroll-deduction authorization, a MIP purchase-order form. Participating employ indicate the total monthly or quarterly sum they w to invest. Payroll deductions are made according and the withholdings are then forwarded to Detroit office of the Stock Exchange member firm t maintains and services individual employee accou Employees indicate the stock of their choice on MIP order form; then they insert it in an envelo and seal it. The company transmits the sealed velope to the brokerage office for execution.

Participation Extended

A favorable reaction to the program after seve months of operation impressed the company mana ment, and they agreed to extend coverage to all e ployees—hourly and salaried—who desired to p ticipate. Also the initial operating experience enab administrators of the program to refine and impr their tools of communication regarding the princip and mechanics of participation to new enrollees.

For example, participants were advised in writ

[1] The Monthly Investment Plan is designed to help the small investor to accumulate common stocks on a budgeted payment basis. The plan calls for the investment of a sum of money at regular intervals—either monthly or quarterly. MIP payments are made to NYSE member firms and immediately invested. Investors are not under any contractual obligation to make regular payments to brokers. They can stop or skip payments at any time. Dividends on stock already purchased are either reinvested or remitted to the investors as they direct.

[2] Dollar cost averaging is a system of buying stocks at regular intervals with a fixed amount of dollars invested over a long period of time, regardless of prevailing stock prices. Under the system, an investor does not acquire ten shares of XYZ every month or every quarter but $50 worth of XYZ. Therefore, when XYZ is selling at a low price, an investor gets more shares than when it is selling at a high price.

that they were free to seek counsel and information from any source of their choice regarding the selection of stocks to buy. They were also told about the special statistical, reporting and counseling service available from the brokerage firm servicing their individual accounts. However, the company reiterated that the decision to use these sources, or any others, is entirely the employee's own. The management has repeatedly made it clear that its primary objective is to provide a service to the employees who request it. But at no time does this service extend into the area of personal decision making.

Value of Program

Although the program has been in effect for about a year, the company has not made any public announcement regarding its benefits either to the employees or employer. However, the president says, "It is my personal belief that MIP, applied on a company-wide basis, could prove a more effective way to further the economic education of industrial employees than 'free enterprise' literature placed in reading racks." He further says, "Firsthand experience with the rewards and sacrifices involved in our profit-and-loss system is a useful form of adult education. The spreading of stock ownership as broadly as possible should heighten the appreciation of the function of profits, and help to further strengthen the bond between management and its employees."

Others agree that management and employees can be brought more closely together by broadening the base in stock ownership. Based on an analysis of several types of stock-acquisition plans of fifty American and British firms, George Copeman believes that a greater share of stock ownership should be extended to the "middle class" employees who are striving for personal success and who, collectively, contribute in a major way to the decisions, ideas and driving impulses that underlie company success.[1]

United States Savings Bond drives during war years and peacetime have ably demonstrated the desire of employees to save and invest. A large share of the success of bond drives can be traced to the skills employed in communicating an investment story and in setting up facilities to buy bonds on easy terms through payroll deductions.

Similarly, American Motors' MIP offers a convenient means for employees to save and invest. The company suggests it is most advantageous to those employees who, heretofore, have been reluctant because of inexperience, timidity or lack of ready resources to seek out a banker, broker or professional counselor for investment advice. They can now invest in securities at a rate that is in keeping with their disposable income. And they can acquire both knowledge of, and confidence in, the security market from which they once felt excluded, says the company.

[1] See George Copeman, "The Challenge of Employee Shareholding," Business Publications, Limited, in association with B. T. Batsford, Limited, London, 1958.

OTHER COMPANIES FOLLOW SUIT

American Motors reports it has received inquiries about its "*invest as you please program*" from numerous sources—especially about how the plan operates. Some of the inquiring companies are known to have other types of stock-acquisition plans.

The January, 1959 issue of *Exchange*, published by the New York Stock Exchange, lists nine other companies that permit employees to authorize payroll deductions for the purpose of acquiring stock under MIP.[1] However, only two other companies besides American Motors permit the employees to purchase stock of their choice. The remaining seven allow deductions for purchase of the employer-company stock only.

Although not one of the MIP companies, a southern textile firm has a stock-purchase plan with certain similar features to the American Motors' plan. Adopted in the early part of 1957, it is a combination payroll-deduction and bank-loan plan. Before its adoption the president said, "The company urges no one to buy its stock and I would remind everyone who did of the very nature of common stock—its prices can move in two directions, down as well as up—and that dividends paid on such stock fluctuate with the prosperity of the corporation."

Here's how this combination plan works. An employee makes application for a loan with a local bank to purchase a block of company stock. He may plan to purchase as few as ten shares or as many as one hundred. If his loan is approved, he authorizes his company to make payroll deductions and to make monthly remittances directly to the bank. Upon signing his promissory note, the bank contacts three brokerage firms in order to be assured of the lowest possible market price. The stock is bought on the open market, and certificates are made out in the name of the borrowing employee. He has now become a stockholder in his company.

Although the stock is retained by the bank until the note is paid in full, the employee gets the advantage of all dividends paid during the life of the loan. The bank makes a flat service charge of $1.50 plus interest on the loan at a rate of 6% per year for terms up to eighteen months. The company reports that a growing number of employees at all levels in the company are now buying stock under this novel plan.

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[1] The ten companies are American Motors Corporation, Canada Dry Corporation, Carborundum Company, Consolidated Food Corporation. De Vilbiss Company, General Finance Corporation, Motor Wheel Corporation, National Fuel Gas Company, Nehi Corporation, and Hiram Walker-Gooderham & Worts, Ltd.

Human Relations: Where Do We Stand Today?

Has business during the postwar years gone overboard on an expensive hobby called "human relations"? Under the guise of accepting social responsibility, has it saddled itself with an unprofitable fad? Or is there real substance to sound human relations? And does it eventually show up in the company's balance sheet?

The Conference Board called upon three men whose experience qualifies them as true experts for answers to some of these questions:

- Thomas G. Spates, Professor Emeritus of Personnel Administration, Yale University, and Former Vice President of General Foods
- Peter F. Drucker, Management Consultant
- Chris Argyris, Associate Professor of Industrial Administration, School of Engineering, Yale University

Their views, presented at a Conference Board meeting early this year,[1] have been only slightly condensed for publication here.

Human Relations: How Far Have We Come?

by Thomas G. Spates

THERE ARE few of us still around who can look upon the reasons for this particular session of this Conference Board meeting with a long-range perspective. To those of us who are still around and can look at the background justifying this session from that long-range perspective, I think we can conclude that it is good for at least one big chuckle.

We look back to the years when the few of us who were engaged in this activity sat around a relatively small table and talked only to ourselves. In those years we couldn't get anybody to listen to us, and sometimes we wondered quite literally and quite practically whether it would ever be possible to be engaged in personnel work and get a salary as large as $5,000 a year. That is some time ago and we have come quite a long distance, as evidenced by the very high five-figure earnings of many personnel executives and th fact that within the past two years the president o a great university, a nationally known theologian, distinguished professor of the Harvard Busines School, and others have been doing their darndest t debunk some truly splendid accomplishments in per sonnel administration.

Against this long-view perspective, it seems tha what these debunkers have been saying is: "Well, yo fellows have been just a little too successful. You ar getting over into our territory. You are giving u some very stiff competition and we are being sort o crowded out of the picture." And that gives us reason it seems to me, not only for the perspective chuckle but some considerable degree of satisfaction. Thi field has now become important enough, its accom plishments have been of sufficient magnitude tha some jealousies have arisen in important and signifi cant areas of our national life.

Because of those circumstances, my opening an brief answer to the question, "Human Relations Where Do We Stand Today?" is that we are standin on our heads. But someone may counter, "Isn't th attack on human relations being led by the well rounded men from academic and literary circles wh are so well rounded that you can't tell the top fron the bottom?" Well, that counter might liquidate com pletely the brief answer, except for the fact that th term "human relations" is so very unrealistically broad that no one could possibly come up with a com prehensive answer, and anyone could come up wit almost any answer without fear of valid contradiction

Actually—like the phrase "the social ethic," use by one of our distinguished debunkers, and the term "the conventional wisdom," used by a former associ ate editor of Fortune magazine—the term "huma relations" is being used by some authors as a cleve device for impersonal ridicule and a camouflage fo self-deception.

What the critics, who may really be unreforme autocrats, seem to be gunning for are the leaders an advocates of modern personnel administration, whos objectives and achievements they associate with th medicine men of primitive society and the snake o peddlers of circus fame.

So let us take it from there and ask ourselves wher we stand today regarding the personnel function o executive leadership in the United States of America

[1] 391st Meeting of THE CONFERENCE BOARD.

Here is a balance sheet, a bit difficult to handle I have to acknowledge, of personnel administration as it has evolved during the past forty years. I have taken the years 1918 and 1958. The year 1918 might be considered representative of "the protestant ethic," to which we are asked to return. The year 1958 might represent "the social ethic," which one of our distinguished authors has held up to scornful ridicule.

Compare the predominant patterns of 1918 with those of 1958:

- We have come from employment by a crook of the finger in 1918 to personal interviews and test batteries for emphasis upon individual qualifications.
- We have come from the "once-over and you will do," or the brass check on the waterfront, to a thorough medical examination for determining physical fitness for employment.
- We have come from the rating of jobs to evaluation of management positions to determine internal equity in high salaries as well as in wage rates.
- We have come from "huddle fuddle" in selecting supervisors to measurement of suitable qualifications by scientific methods.
- We have come from merit rating by gossip to systematic performance review and appraisal.
- We have come from platitudes and clichés to cases in developing problem-solving skills.
- We have come from lectures and exhortations to conferences in encouraging self-awareness and disclosing our impact upon others.
- We have come from indifference and arbitrary discipline to education in reducing the frequency and severity of accidents.
- We have come from hunch and guess in learning about employee attitudes to methodical and periodic surveys conducted with a high degree of objectivity.
- We have come from job training for improving manual skills to executive development for improving administrative intelligence.
- We have come from the raised eyebrow and the bulletin board to the personal letter and audio-visual aids in communication.
- We have come from the rule book with admonitions and penalties to the published statement of top-management philosophy and policy.
- We have come from the contemptuous brush-off in treating emotionally disturbed employees to listening, counseling, and psychotherapy.
- And, finally, in this sort of telegraphic summary of the evolution of personnel administration in the past forty years, we have come from dictatorship and top-management paternalism to cultural leadership and administration by consultation.

The predominant patterns of executive leadership in 1918 might be summed up by the familiar phrase, "Treat them rough and tell them nothing."

When I left college and faced the problem of earning a living in the United States of America, there were very few places I could have gone to earn a living and have been treated any other way but rough and told nothing.

Today's methods represent tremendous advances and phenomenal changes in the concept, the content and the administration of this very important function of general management. They have been wrought and developed, in spite of much stubborn opposition and unenlightened executive leadership.

With this summary of "the protestant ethic" versus "the social ethic" as background, I think we are justified in asking ourselves these questions: Have these great advances come about in the employment environment in the United States because of somebody's vested interest in developing a cult? Have these advances come about because of someone's lust for power and prestige? Have these changes come about because a few managers want to be surrounded by "yes men"? Have these changes come about because business executives have lost interest in making profits?

Is it now seriously proposed that we hurriedly retrace our steps to the 1918 pattern of treating people at the places where they work? If not, so what?

I am going to ask three others to give their answers to the question, "So what?"

First, I call upon the president of one of the greatest industrial enterprises of the United States. At the end of a recent rather technical talk to the technical leaders in his industry, he said: "We will do the best job, I am sure, when and only when every boss acts on the understanding that an indispensable part of his assignment is to do everything he thoughtfully and reasonably can to encourage the growth of his subordinates."

That executive is Fred R. Kappel, president of the American Telephone & Telegraph Company, who, we may be sure, has not ceased to be interested either in profits or in advancing the technology of telephony. Of considerable importance regarding his statement is the fact that Fred Kappel has a reputation in his own organization of meaning what he says. And I do not hesitate to express my doubts that in 1918 the president of the A. T. & T. would have been credited with that statement of basic philosophy of personnel administration.

The next chief executive whom I call upon to answer the "So what?" has this to say: "The important thing to the organization is that each individual be given the opportunity to exploit his talents to the fullest and in the way best suited to his personality."

This is another expression of the profound and basic philosophy of what some of us call personnel administration, and presumably others are identifying by the words "human relations." The executive is Crawford H. Greenewalt, president of the Du Pont Company. I am sure that Mr. Greenewalt, too, continues to be interested in conducting a profitable enterprise.

The next and final one I call upon for some testimony in this field comes from a very different area of our national life. He is Kermit Eby, professor of social sciences at the University of Chicago, who in 1948 was director of education and research for the CIO. He concludes, "Unions are failing at the point of the strongest claim for their existence—respect for human dignity."[1]

That is a profound observation which should be of great interest to all the people in this room and their counterparts across the land. A devoted and dedicated union man has given us his judgment of the developments in recent years, and that judgment says that "unions are failing at the point of the strongest claim for their existence—respect for human dignity."

That quotation encourages me to suggest that in these words "human relations" we may be involved actually in this difficult and sometimes ridiculed field of semantics. Suppose, for example, instead of the words "human relations," we would use the words "human dignity." Would the critics and the scoffers dare to debunk the concept of human dignity? Suppose, instead of "human relations" we used the words "human values." Would there be any who would write with scornful contempt about the enhancement of human values at the places where people work.

We may be reasonably sure that the answer to those questions is, "No." It is a matter of considerable and practical significance that the debunkers who are getting so much attention around the country today are not writing and talking about personnel administration, for the very good reason that they don't know what it's all about. They haven't bothered to find out what has been taking place in the United States at the places where people work as a consequence of a lot of very persevering work on the part of a host of people, deeply dedicated to the principle that employees are entitled to be treated in ways that appeal to their self-respect and dignity as individuals.

My concluding answer to the question, "Human Relations: Where Do We Stand Today?" is that we stand today, as always, in the presence of man's irrepressible striving for self-expression, for self-realization, for self-fulfillment. We may be sure that the 1959 and other improved versions of personnel administration will be designed to help achieve these universal goals, and also to maintain a free and profitable enterprise in the United States of America.

[1] *Progressive Magazine*, April, 1958.

Human Relations: How Far Do We Have To Go?

by Peter F. Drucker

TOM SPATES has approached our problem with the question, "How far have we come?" I would like to raise the question, "And how far do we have to go?" While Tom has talked about the relations between people engaged in a common effort in an enterprise, I shall put quotation marks around the words "human relations" and address myself to something very much more specific: the application of behavioral sciences to human relations.

Looking ahead first to "how far do we have to go," (and I'm not talking about twenty years but just twenty minutes or the immediate future) three questions are raised in my mind that are challenges to us:

1. Are we adequate in the scope of our work?
2. Are we adequate in our knowledge?
3. Are we adequate in our basic philosophy, in our basic approach?

1. Looking at this as a general management man, I begin to wonder whether we are really, in our human relations and even in our personnel focus, adequate as to scope?

Today for the first time, not only in our history but in the history of any country, the people whom the census calls "managerial, professional, and technical employees" are the largest group in our labor force. Today half the labor force has a high school education. (The distribution of this advanced degree of schooling is a very lop-sided one. Among the people over age fifty in the labor force, only about 20% have a high school education, but among the people under age forty, about 60% to 70% have a high school education.) Tomorrow, the same thing will be true of college education. In fact, for the kind of employees management is primarily interested in—male employees in metropolitan areas—almost 50% of the eligible young men are in college today.

So we face a schooled work force doing professional, managerial, and technical work. From the point of view of personnel costs, in most businesses I know, these people not only account for the bulk of the costs, but they account for costs which are basically fixed and not easily adjusted to short-term economic fluctuations.

When I project this reality of today against our present human relations or personnel management approach and scope, I wonder to what extent we are missing the real hard problems of today. Are we preparing for the last war instead of the next war? To what extent are we putting our efforts and the great

dedication we have, which far outweighs our knowledge, to the proper job?

The habits and expectations of people who have been exposed to sitting on hard benches for twelve or sixteen years are changed, or at least are different, from those we are used to dealing with. Most of our knowledge in this field is based on working with people with a few years of grammar school education doing semiskilled jobs. And most of our present human relations concern is with them. The admirable personnel practices of many companies are for nonexempt people only.

So my first question is: surely, we have come a long way, and we can be proud, but does the road run straight ahead or do we have to change direction; acquire new vision; and mobilize our knowledge and our effort for the new work of tomorrow?

2. My second question deals with knowledge. We have come a long way, but the knowledge and the excitement were mostly at the beginning. Personnel administration is now about forty years old. Yet we have added almost nothing to the things invented by the small band of pioneers who first began working in this field when most of the present crop of practitioners were more concerned with learning the multiplication table than with managing people at work. If you take the writings of those pioneers in the early 1920's and hold them up against the personnel department or the employee relations department of today, you will find that we are only doing a good deal more of what they then spelled out. And where it wasn't spelled out, we are not doing anything.

Take employment, for instance. We are doing a great deal there. But placement, which was not particularly stressed in earlier days because one dealt mostly with unskilled labor, is still almost untouched. Considering the kind of people we have now—people with tremendous knowledge, people whom one cannot supervise and cannot measure, people who have to reach for excellence by themselves—then placement becomes perhaps more important even than selection. Yet we are doing almost nothing about it. So for almost forty years, we have coasted in personnel administration on the tremendous body of knowledge of those early years.

When you turn to "human relations" (with quotation marks around the term) the situation is one of equal and perhaps greater sterility. The early experiments are still considered the bible. We have made only some apocryphal additions.

What have we acquired in the way of knowledge since? In "human relations" we still are essentially where we were in 1928 when the "Hawthorne study" was a lusty baby. Of course, we are learning new things—and they will be relevant to the management of people. There are new things coming up in information theory and system theory. There is work on the relationship between job structure and performance and development. There is investigation of business organization not as a separate structure but as an example of a general problem. In other words, we are trying to work out basic general theories of what is a universal phenomenon, namely, organization.

This is new knowledge. But it is not being developed by behavioral scientists or personnel men. It is, by and large, ignored by them. And it is not being used by them. The field of personnel management and human relations itself has not, as far as I can see, produced anything that goes beyond the insight of the founding fathers. Their work has not found the succession. It has not been picked up by the next generation the way it should have been.

3. As to the final question, speaking specifically of what is known as human relations in business, is there perhaps something deficient in our basic assumptions? The answer is, "Yes."

There are two assumptions that vitiate a great deal of the little we know and damage a great deal of the good we are trying to do. One is the defect that leads to the charge of manipulation. In many cases it is a well-founded charge. In many cases human relations has been used, or is intended to be used, to manipulate, to adjust people to what the boss thinks is reality, to make them conform to a pattern that seems logical from the top down, to make them accept unquestioningly what we tell them. Frankly, sometimes I think it is better not to tell employees anything rather than to say, "We tell them everything, but they must accept it, and it is our job to make them accept it." Then why tell them?

This is a basic social science assumption. But it goes much deeper. It goes back to the belief that the function of the social sciences is the same as that of the physical sciences, namely, to gain control of something outside. Actually, the real function of the moral sciences and the social sciences is to learn to control yourself. The misuse of the social sciences has given rise to a great deal of the criticism aimed at "human relations." While the criticism may be ill-informed and carping, and very often purely snide, it has a fundamental validity to it. Our excuse that manipulation doesn't work is not acceptable. The intention is vicious.

The second basic problem in this area is in the business field itself. We assume that a business has a right to demand loyalty; that a business, in other words, is a total institution. Actually, it is only a very partial institution existing for very limited purposes. It coexists with institutions that serve much higher purposes of man. And it cannot and must never arrogate to itself any claim beyond what is needed for its purpose.

We are violating this concept of business as a limited institution. Usually it's only in rhetoric, but even that is not only dangerous, it is impermissible. When we talk about loyalty of people, and when we go further and create incentive systems and payment systems and deferred options, and what-have-you, which become fetters for the individual, we are not only antisocial, we are anti-individual and antihuman. We are stepping way beyond any boundary that any society, free or unfree, can allow a partial institution.

Business is *one* institution in a pluralistic society. If we violate this concept, it can only mean that we are going to disappear in favor of a very much more powerful monolith than business can ever possibly be or should ever possibly be.

This attempt to gain total loyalty of employees underlies a great deal of our personnel management and a great deal of our "human relations." It is not only not compatible with the dignity of man, but it is not permissible to believe that the dignity of man can or should be realized totally in a partial institution. We have to stick to our sphere, which is a narrow one indeed. If we go beyond it, we are guilty of a basic violation.

These are the three major problems we have. They do not vitiate the achievements. They seem to me to spell out something much more important than failure or success. They seem to me to spell out opportunities and challenges.

We have to learn to manage the work of people who contribute knowledge and act through responsible judgment in joint effort. This means that we have very serious basic problems of organization, because all our organizations are based on the few with knowledge managing the great many without, the few with decision managing a great many who are regimented, the few with capacity managing a great many mechanical morons.

There has been organization since the earliest armies came into being. But we will have to learn quite dramatically new approaches to organization structure and job structure so as to develop a human organization for performance, for excellence, and for growth of the people who contribute knowledge through responsibility.

Secondly, we need a fantastic amount of knowledge. I am about convinced that we will not get it from the behavioral sciences. We will have to look to other disciplines outside the social sciences for contributions that we can apply to management theory.

Finally, it is our job, not just as personnel people but as managers, to understand and to radiate this major thought: the basic problem of business in a free society, whether large business or small business, is to find the limits of its power, because only then will the power be legitimate; to find the limits of its demands, and then set high demands within these limits; to find the true basis of our contribution in that relationship to people we now have, rather than in claiming to have a universal or encompassing authority and responsibility.

These, to me, seem to be the challenges.

Where do we stand? We are moving.

Where do we come from? A long way.

Where do we go? That depends on how much, how hard, how seriously, how responsively we work.

Human Relations: A Look into the Future

by Chris Argyris

FOR ANYONE to make predictions about trends in human relations policies and practices is extremely difficult. For a researcher to make them based upon research results may be considered dangerous if not presumptuous. However, I have been asked to try, and try I will. Please keep in mind that what follows is, most of the time, *one* researcher's opinions, expectations, and hopes, and, at other times, his guesses into the future. Because of the limitation of time, I will state my views in terms of predictions that I *hypothesize* will tend to occur. The validation of these hypotheses is another matter.

I predict company human relations policies will shift:

I. *From:* The policy that requires people always to be friendly and like one another.

To: The policy that permits freedom for people to dislike as well as to be friendly.

Some reasons for this change are:

1. It is unrealistic to expect all people to like one another; it is inhuman to require it; it may be harmful to the individual and the company to enforce it.

2. The ability to express one's honest hostilities need not stifle cooperative effort. In fact, if done effectively, it can enhance such effort. It also can unleash much energy being used up when people attempt to withhold their feelings.

II. *From:* The policy that individuals are conceived as the most important part of an organization.

To: The more realistic policy that individuals are but one part of the organization whose importance varies under different conditions.

Some reasons for this change:

1. Employees who are self-responsible are not fooled by talk of their "importance," especially when they experience the tensions and frustrations inherent in production bogies, budgets, etc. (and I am not

saying this is bad). Many of them are self-responsible and willing to accept the need for the organizational requirements made upon them.

2. At best employees view these policies as "unreal whims of management," who "might feel guilty about being the boss." At worse, as conscious manipulations that betray management's basic (but perhaps unknowing) lack of confidence in the individual.

III. *From:* The policy that people (especially executives) should become so close to the organization that they are inseparable and indistinguishable from it.

To: The policy that people should give of themselves without giving up themselves.

Some reasons for this change:

1. An "overloving" executive will tend to breed a sick organization.

2. He will also tend to distort reality in order not to see the impact of his leadership upon the organization and, ironically, upon himself.

IV. *From:* The policy that maximum communication among individuals is necessary.

To: The policy that optimum communication is most effective.

Reason for this change:

Managements who are anxious about communications at times clog up the channels with much noise; other times they forget to listen; and still other times they may communicate information that either baffles the employees or makes them defensive. One sign of trust in a human relationship is appropriate silence.

V. *From:* The policy that an effective organization is one with high production, low turnover, low absenteeism, and low grievance rates.

To: The policy that emphasizes the total health of an organization.

Some reasons for this change:

1. Research suggests that the traditional objectives of profit can be achieved by employees who are apathetic, indifferent to the company and alienated from their management and from each other.

2. This could lead to an organization becoming increasingly rigid and defensive. This rigidity can lead to the inability of the participants to see the necessity and high cost of change and maintaining organizational growth.[1]

VI. *From:* The belief that superiors can develop subordinates to be more skillful in interpersonal competence and diagnosing accurately administrative situations.

To: The belief that no one can develop anyone else except himself. The door to development is locked from the inside.

Some reasons for this change:

1. Much of what goes by the name of development is developing people in the image of a select group of executives. The danger is clear: today's managerial skills of success may pave the way for tomorrow's failure.

2. The criterion, if a superior has truly developed his subordinates, is not necessarily how many of his subordinates have succeeded. The criterion should be how many of his subordinates have gone on to develop their subordinates.

3. The responsibility of management is not to develop people. It is to develop the climate and the opportunities for self-development.

VII. *From:* The objective of executive development programs to change the executive's behavior.

To: The objective of helping the executive become aware of himself and become more tolerant, accepting of himself and therefore of others.

Some reasons for this change:

1. Changing behavior implies to the individual that his present behavior is wrong. Such implications, if the executive is healthy, tend to create defensiveness and resistance. Moreover, who knows what is the correct leadership behavior?

2. Research increasingly suggests that no one leadership pattern is best for all administrative situations. Effective executive leadership may require a number of different kinds of leadership patterns, each to be used in specific types of situations. I believe management is going away from "democratic" or "autocratic" leadership toward a concept of "reality-centered" leadership.[1]

3. It may be condemnable and not laudable that people in three, thirteen or thirty-six weeks can be influenced to change their basic values and behavior that have taken a lifetime to develop.

4. Human wisdom, understanding and tolerance begin with oneself. If the individual can truly (emotionally) begin to care for himself, he will begin to care for others.

An individual who cares for himself will tend (a) to have a high sense of inner worth, (b) to decrease his defensiveness, (c) to increase his own internal freedom and creativity and (d) to permit others to achieve the same if they so desire.

VIII. *From:* The objective of executive development programs that teach an executive how he ought to behave or how he ought to think.

[1] Argyris, Chris, "The Organization: What Makes It Healthy?" *Harvard Business Review*, November-December, 1958.

[1] Argyris, Chris, "Personality and Organization," Harper & Brothers, New York, 1957.

To: The objective of helping the executive learn how to learn.

Reason for this change:

Development and change will be a main characteristic of management in the next twenty years. Teaching the executive what he ought to read, how he ought to behave and think emphasizes *end results*. These end results may not apply when the executive is given the opportunity to use this knowledge. Emphasizing the *processes* of how to learn, how to diagnose administrative situations, how to learn from experience are timeless wisdoms.

The former approach emphasizes developing *learned* men. The latter emphasizes developing *learning* men.

IX. *From:* The belief that human relations problems are caused primarily by poor organizational planning, poor budgets, incentive systems, etc.

To: The awareness that effective organizational planning, budgets, incentive systems, etc. also can cause human problems.

Some reasons for this change:

1. Research suggests that the very nature of organization and managerial controls, if used correctly, can cause employees to feel dependent, subordinate, submissive, and to use relatively few of their adult abilities.

2. Employees, who are relatively healthy, may adapt by absenteeism, turnover, apathy, indifference, and unionization.

3. Not as often seen, and therefore worth emphasizing, is the trend, on the part of employees, of increasingly viewing wages as compensation for *dissatisfaction* and not necessarily as a reward for past performance, or as a motivation for future performance.

The economic man may exist. If so, this may be one of the deepest human problems our society will face in the future.

CLOSING COMMENTS

Management philosophy initially developed from an emphasis on scientific management and organization to an emphasis on people and human relationships. The future, I predict, will see an increasing emphasis that neither approach by itself is adequate.

Effective management may require the "right" combination of both approaches. What combination? How much emphasis on the company demands? How much on the individual needs? Fundamentally, these questions cannot be answered without much research to tell us what is the precise impact of each and a realistic philosophy of management to provide the manager with a set of basic values from which to make his choice.[1]

[1] Argyris, Chris, *op. cit.*

I predict increasing research that will focus on the requirements for an effective or healthy organization. This implies that what is needed is a philosophy of management that views the individual and the organization not only as interrelated but actually *interpenetrating* one another. A philosophy of management where not only do the individual and the organization have a right to health, but where it is acknowledged that their health can only come from this dynamic process of man interpenetrating the organization and the organization interpenetrating man.

Management Bookshelf

On Being the Boss: Some Practical Comments on Supervision—This book is written for the individual who is in or aspires to a position of management responsibility. It deals with human problems, particularly those that concern industry. Managers and prospective managers, who must know how to plan, coordinate, control and motivate, are shown how to sharpen these skills of administration. Emphasis is placed, too, on the insights, attitudes, and values that underline constructive leadership, since managerial action always reflects the individual who exercises it. Illustrative of the author's method of presentation is his chapter on "Foundations of Authority," which he summarizes in the following subtitle: "To survive, authority must be molded from truth and competence." *By Wilbur M. McFeely, Association Press, New York, New York, 1959, 128 pp., $2.*

The Making of Higher Executives: The Modern Challenge—Handling complex personal relationships overshadows economic or production problems as the chief task of today's top executives, according to the author. His thesis is that only through development of the "whole man" can the manager be adequately equipped to function as a top executive. Four stages contribute to this development: tutelage or prebusiness education; initial employment or induction into business life; management experience at a lower level; and, finally, top management responsibility for over-all direction. The elements required in each of these stages are outlined, and considerable space is devoted to special development programs adopted by the Administrative Staff College at Henley-on-Thames, England, which is headed by the author. *By Sir Noel Frederick Hall, published by The School of Commerce, Accounts, and Finance, New York University, New York, New York, 1958, 100 pp., $2.50.*

The Job of the Federal Executive—This study of the federal executive puts in print what was said on the subject in a round-table discussion held at the Brookings Institution early in 1957. It discusses: (1) the nature of the executive's role and his job; (2) the differences in the functions of political and career executives; (3) the special characteristics of the environment in which the federal executive works; and (4) the problem of obtaining and developing effective federal executives. *By Marver H. Bernstein, The Brookings Institution, Washington, D.C., 1958, 241 pp., $3.50.*

Spending Patterns of Older Persons

How does the "older" family's spending differ from the "younger" family's? This analysis examines expenditures for both groups at four income levels

THE IMPORTANCE of changes in consumption patterns as one grows older is underscored by the relative aging of the population that has already occurred in the United States. The proportion of the population sixty-five years and over has doubled in the last fifty years. Even further growth for this group is expected in the future.

Growth in numbers is not the only factor which has made the older population an increasingly large and important consumer market. Although estimates of aggregate income for any age group are very uncertain, they do give some guide as to the economic strength of a group.

The Joint Committee on Problems of the Aging of the New York State Legislature in its 1956 report, "New Channels for the Golden Years," estimated the total income after taxes of persons sixty-five and over to be $20 billion in 1954 and predicted a rise to $32 billion by 1965. By size alone, then, this group warrants examination. More than that, it is a group with distinct needs and desires which is growing faster than the rest of the population.

One way to determine these needs and desires, of course, is by an examination of past spending patterns. What appeals to the older group now presumably will be indicated by how they behaved in the past.

Family Spending Patterns of Two Age Groups

The importance of an individual's economic position is largely dependent on his family status rather than on the size of his income alone.[1] Approximately 70% of men and women sixty-five years and over live in their own households. Furthermore, 88.5% of the older men are family heads. (One drawback in examining spending patterns of families by age groups is that in most surveys, the title of "head" is often given to the senior family member as a matter of courtesy rather than as an indication of the actual financial head.)

Families whose "head" is sixty-five or over, on the average, spend less than younger families. This is perhaps no more than one would expect, even without an examination of family budgets. But the extent of the difference between the amount of spending by younger and older families can only be appreciated by contrasting a few figures. The 1956 survey of consumer expenditures conducted in urban communities by Alfred Politz Research, Inc. for *Life*[1] (the most recent major study containing pertinent data) shows that families headed by persons sixty-five and over spent $2,405, whereas families whose head was less than sixty-five spent $4,430 for consumer goods and services. However, when put on a per capita basis, the difference is much less, although it still exists—$1,146 for the older family as against $1,230 for the younger.

Age Not The Only Answer

The difference in expenditures between the two groups is not entirely due to the difference in age. Further, not all members of the older family will be sixty-five or over; nor will all members of the younger family be under sixty-five, although there is an expectation that the age of the household head can be taken as an indication of the age ranking of its members.

The older families differ from the younger in several important characteristics, all of which can be expected to have an influence on consumption patterns. First of all, differences exist in the income levels of the two groups. Over 40% of families headed by older persons received less than $2,000 in money income, according to the *Life* survey. By contrast, slightly over 10% of younger families received less than $2,000. The median income of urban families headed by older persons was $3,000 in 1957. This compares with a median income of $5,359 for all urban families.

Second, the differences in spending level, and more particularly the composition of spending, are also influenced by the size of the family. In 1956, the older family in the *Life* survey was composed of 2.1 persons, whereas the younger family was composed of 3.6 persons. There is some indication that the older family is decreasing in size, while the younger family is increasing. Census reports show that the older husband-and-wife family is now composed of 2.0 persons and that all husband-and-wife families are composed of 3.7 persons.

Another factor that can be expected to have an influence on consumption patterns is the amount of liquid assets held by the two family groups. According to the Federal Reserve Board's 1958 "Survey of Con-

[1] For a fuller discussion of this point, see THE CONFERENCE BOARD'S *Studies in Business Economics*, No. 52, "Income and Resources of Older People," pages 21-22.

[1] "Life Study of Consumer Expenditures," Volume I, 1957.

sumer Finances," 20% of spending units[1] whose head was sixty-five or over had holdings of $5,000 or more in early 1958. This compares with 9% of all families who had liquid assets of $5,000 or more. However, 27% of the older spending units had no holdings, while 26% of all spending units had no holdings. Even so, the amount of liquid asset holdings tends to increase with age; and, also, older people in the lower-income levels have larger holdings than the younger people at the same levels.

A fourth factor that influences consumption patterns is the geographical location of the family; this is important because of differences in climate, local habits and price levels.

Data, unfortunately, are not available to disentangle all of these factors on the spending patterns of older and younger families. Analysis is possible, however, of the spending patterns of the two families at identical levels of income, after adjustment is made for differing family size. However, it was not possible to assess the role of liquid asset holdings, nor the influence of geographic location.

For a multidimensional analysis, resort must be made to the 1950 study of consumer expenditures conducted by the Bureau of Labor Statistics.[1] The analysis was carried out separately for nine categories, as follows:

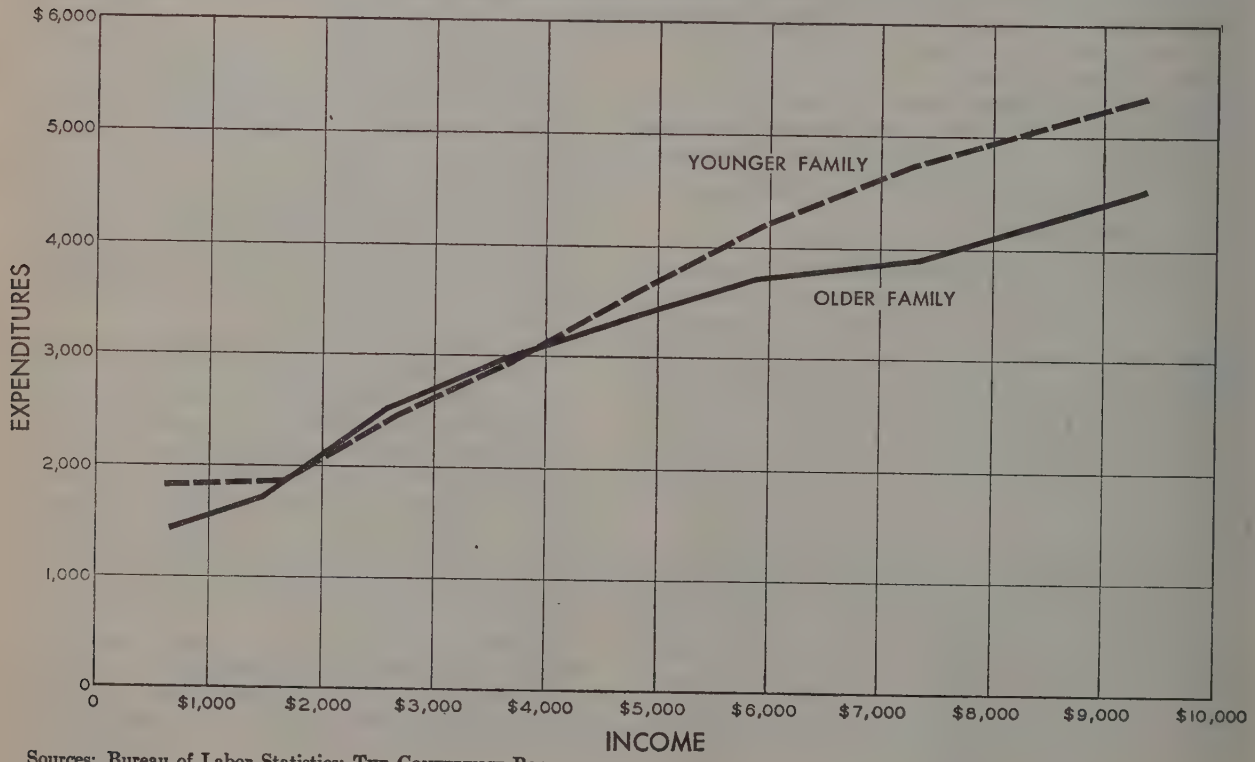
- Food (including alcoholic beverages and tobacco)
- Housing (shelter and home repairs and replacements)
- Fuel, light and refrigeration
- Household operations (includes such items involved in running a home as laundry service, telephone service, domestic help, etc.)
- Furniture (including home furnishings and equipment)
- Clothing
- Transportation
- Medical care
- Miscellaneous items (which include personal care, recreation, reading and education as well as the items assigned to the miscellaneous group because they did not easily fit into any other groups)

[1] A spending unit as defined by the survey consists of all related persons living together who pool their incomes. Other related persons in the household are separate spending units if they earn more than $15 a week and do not pool their incomes. This is different from the Census definition of a family, which includes all related persons residing together.

[1] "Study of Consumer Expenditures, Income, and Savings," Wharton School of Finance, University of Pennsylvania, 1957.

Chart 1: Spending Pattern of Older and Younger Families with 2.2 Persons at Different Income Levels

(Age of family heads: sixty-five and over; less than sixty-five)



Sources: Bureau of Labor Statistics; The Conference Board.

Family Size Adjustment

An adjustment had to be made to eliminate the effect of family size in examining the expenditures of the two age groups. In the first place, the average size of the older family is smaller than the average size of the younger family at all income levels; and second, the average family size increases as income increases in both instances. Of course, an adjustment factor would not be needed if the data in the bureau's study for a particular size family had been used. However, a clearer picture emerges—because of the greater reliability of the larger sample—when the total data are used.

Although any size family could have been selected, the two family groups were standardized at 2.2 persons, in order to correspond closely to the average size of the older family. The adjustment factor was determined by finding the average relationship between family size and expenditures.[1]

Total Expenditures at Different Income Levels

Even after making the adjustments for family size, older families tend to spend less for consumer items than younger families. At the very low-income levels, where both families spend more than they receive in income, younger families spend in greater excess of their income than the older.[2]

The older family, which no longer receives an income from earnings or has a limited number of years to receive earnings, cannot afford to deplete its savings. The older family, also, has difficulty obtaining loans. Therefore, because of its limited sources of income and little prospect of rising to higher-income levels, the older family has to budget its expenditures closely. Younger families, on the other hand, can be more confident in anticipating larger earnings, or, at least, a sustained income from earnings over a longer period of time.

In the $2,000 to $4,000 income range, aggregate expenditures of both families are very nearly the same. The older urban family's median income just falls within the $3,000-$4,000 income level. And their consumption level compares favorably with other urban families in the same income bracket. Even if the older family's median income slid below $3,000, into the $2,000-$3,000 income level, their total spending would be comparable to the spending of other families on the same level.

From this point on, however, younger families spend increasingly more than the older families. Therefore, at income levels where the older family could best afford to spend a larger share on goods and services it does not. For example, the older family at the $5,000-$6,000 income level spends 11.1% less than the younger family. The median income of younger families falls within this bracket (the median incomes for the two groups fall in two different income levels), and the actual differences in expenditures are considerable. And when the expenditures of the older family at the $3,000-$4,000 level are compared with those of the younger family at the $5,000-$6,000 level, the older spends 32.3% less than the younger family.

At a $7,500 to $10,000 income level, the older family spends 14.8% less than the younger family. At today's higher prices, expenditures at these income levels would, of course, be larger than at the time of the BLS survey, but the spread between the outlays of the two age groups would probably be about the same. And, although the estimated adjustments for family size may have reduced the total expenditures below the real level of spending for a 2.2 size family, the younger family would still spend a larger portion of its income than the older family.

Response of Total Expenditures to Increased Income

On the basis of estimates made on the relationship between income and expenditures for a 2.2 person family,[1] it was found that, generally, for every 1% increase in income, older people increase their expenditures by half this amount (0.5%), while younger families increase their expenditures by 0.6%. Although the difference appears small, the spread between the two groups increases as income increases.

This generalization applies particularly to the middle income classes ($3,000-$7,500). As family income rises in the very low-income brackets, the increase in expenditures is very small; and at high-income levels, as already stated, the spending of older families tends to slope off.

Importance of Items to the Older Family

One of the reasons for the aged's seeming disinterest in consumer goods and services may be that until only

(Continued on page 100)

[1] Factors for adjusting data for family size were derived from a multiple regression analysis for each category of expenditure. Where least squares methods yielded unreasonable results, graphic correlation methods were substituted. In each case, expenditures were related to income and family size, using the logarithms of all variables. The regression coefficient of the family-size variable was then used to adjust expenditures to those of a 2.2 size family.

For example, the complete equation for housing expenditures in the sixty-five-and-over age group was: $.35 \log x + .53 \log w + 1.154 = \log z$, where x represents income, in dollars per year, w, family size and z, annual housing expenditures. The coefficient of the family-size variable, .53, is then used to scale housing expenditures for a family of any size in the sixty-five-and-over group to the average family size of 2.2 members. A specific example will illustrate how this was done. At an average annual income of $4,787 in 1950, the average family size was three persons, with annual housing expenditures coming to $448. The logarithm of 448 is 2.6513; the logarithm of 3 is .4771, and of 2.2, .3424. Expenditures for housing are then adjusted to the 2.2 family size by the following computation: $2.6513 - .53(.4771 - .3424) = 2.5799$, which is the anti-logarithm of 380. On this basis, outlays for housing totaling $448 for a three-person family are equivalent to an expenditure of $380 for a 2.2-person family.

[2] Family income refers to money income before taxes, which includes money income from all sources, less occupational expenses, but before deduction of net personal taxes.

[1] See footnote 1 in preceding column.

Efficiency Features Provide Speedy Cafeteria Service

WHEN THE dining facilities for employees of The Hanover Bank in downtown New York City were moved from the bank's old building to an adjoining new one, the bank departed from its traditional procedure of providing waitress service and, instead, introduced cafeteria facilities. This change was carefully planned. For months before the move, bank personnel studied layouts and inspected other cafeteria installations to make sure the new service would be efficient and, also, pleasing to the employees.

The success of this planning is evident each working day from 11 a.m. to 2 p.m. as 1,900 bank employees pass through the cafeteria's serving area in a quick and orderly manner.[1] There are never queues of impatient people waiting for persons at the head of the line to select their luncheon items. There is never a wait for clean trays and silver at the tables near the entrance.

The orderly operation that is evident in front of the serving counters is present, also, behind the counters, in the kitchen, and in the dishwashing rooms. Workers in these locations carry on their tasks in a calm and unhurried manner. One never sees persons scurrying about with stacks of plates, trays, or food items because a more efficient method of moving materials has been devised.

EFFICIENCY FEATURES

Although The Hanover Bank serves lunches at no cost to its employees (and has done so for more than sixty years), the need for time-and-money-saving practices in food service is considered just as important here as in a company with a break-even or partially subsidized restaurant operation. In fact, the cafeteria's management feels that the more effectively savings can be achieved in indirect ways, the greater opportunity there is for providing better meals for the employees.

Various features are responsible for the efficiency of operation. One is the corral method of serving. This plan provides for divergent lines of patrons moving to different serving areas; customers need not pass through all serving areas if they are interested only in food that is available near the end of the line. If an individual wants the daily salad and sandwich combination entree,[1] for example, he picks up his tray as he enters the corral and then turns off at right or left angles and proceeds directly to one of the sandwich areas. (See the figure.) If he wants a hot entree, he goes straight ahead from the table where he collects his tray. (Trays, silver and napkins are available at each side of the tray table.) For only a hot dish and beverage, the individual cuts across from the entree counters to the last section, where beverages are served.

No Menu Reading; No Delay for Condiments

Lines move quickly, also, because there is no delay for menu reading. Since menus are placed on bulletin boards throughout the bank, most employees know what they want to eat before they enter the cafeteria and do not stop to study the menu again.

Then, too, there is no bottleneck while people wait to be served (or to serve themselves) with condiments; these extra relishes and seasonings have been placed on wheeled tables (approximately two by three feet) in various sections of the dining area. Diners stop at the tables when they want to use the catsup, horseradish, etc. Additional silver is provided at these tables to eliminate the need for returning to the corral for forgotten utensils.

Confusion that could arise from employees presenting their identification cards at the end of the line (when they are carrying the food trays) is avoided by having each employee show his card to the door attendant as he enters the cafeteria. (The dining and serving areas comprise 9,214 square feet.)

Multiple Desserts Eliminated

Another practice, originally adopted as a solution to a multiple-dessert problem, also has a time-saving dividend. When the cafeteria was first opened, the daily procedure was to serve more than one kind of pie, cake, and pudding. But determining the desires of patrons well enough to predict, for example, how many apple pies should be baked on the same day that coconut custard pie is being served became a problem. Usually the late luncher decided he wanted the kind no longer available. So to eliminate this situation, the multiple choice was abandoned. Now, only one kind

[1] An additional 300 off-hour employees use the cafeteria in the evening and early morning hours.

[1] There are two hot entrees and a salad-sandwich combination entree each day. Three vegetables are served daily.

of pie, cake, pudding, and stewed fruit is served. (There is a choice of ice cream.) As a result, there is no delay caused by the indecision of a patron eyeing two or three kinds of pie, cake or pudding.

No Shelves for Dishes

The Hanover Bank's kitchen facilities are completely without shelves for dishes or drawers for silver. Instead, dishes and silver are moved directly from the conveyor belt in the dishwashing room onto stainless steel trucks and are taken to their designated places in the corral. The silver is in bin-like plastic containers with the handles of the knives, forks, and spoons extending upward to avoid unhygienic handling. The trays, dishes and silver remain stacked on the trucks until needed in the serving area.

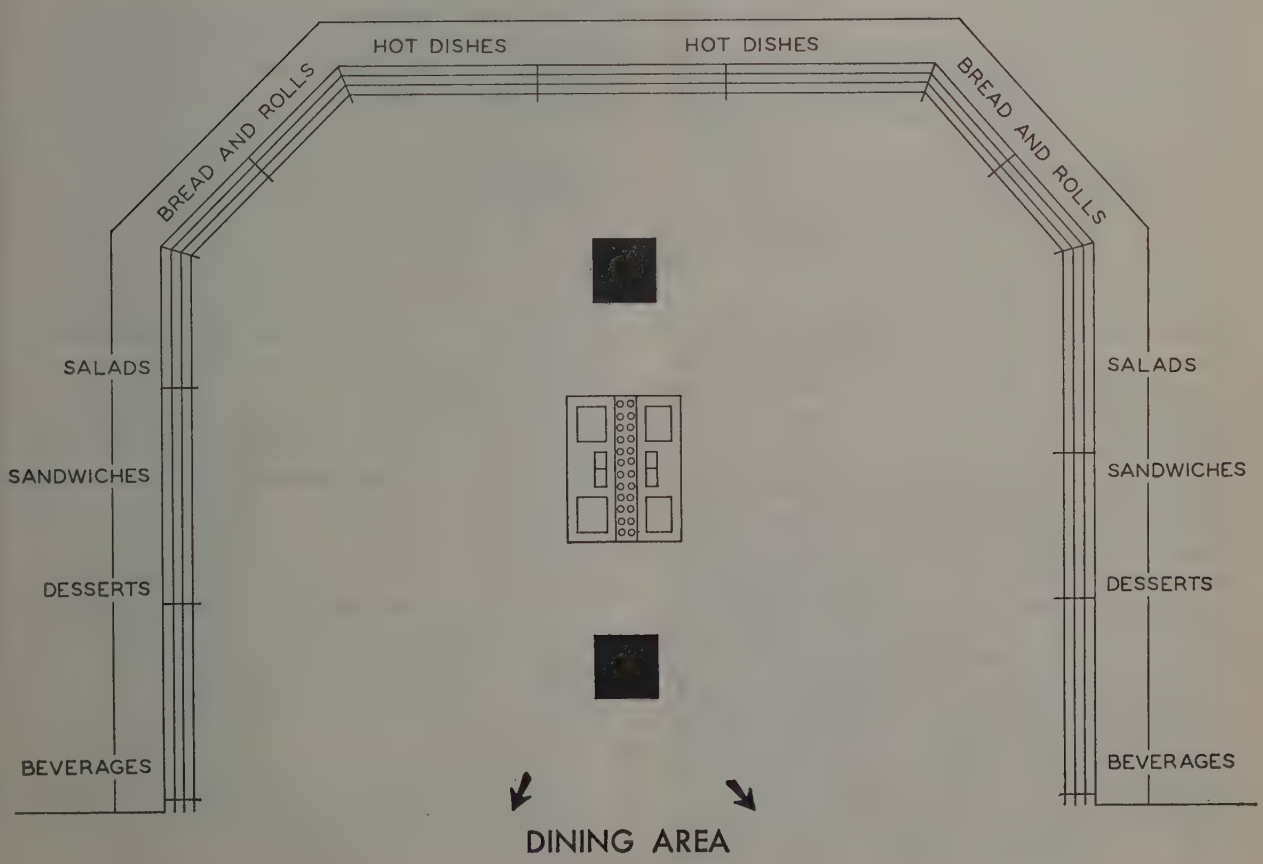
An essential feature for smooth operation of a cafeteria, according to cafeteria personnel at The Hanover Bank, is an ample supply of equipment. Although the initial investment may be high, it pays off in fewer emergencies during day-to-day operations, the cafeteria manager finds. When an ample supply of dishes, silver, and trays is at hand, there is no need for bus boys to constantly shuttle back and forth bringing loads of clean dishes from the dishwashing room to the serving area. And servers behind the food counters do not delay patrons while waiting for clean stacks of dishes to be delivered.

Behind-the-Scenes Efficiency

The same efficiency apparent in the serving area is also evident in the 5,243 square feet of kitchen area. There the layout is designed to almost completely eliminate cross traffic. This achievement minimizes the chance of accidents and confusion. As women prepare salad trays, sandwiches, and other items that can be refrigerated until serving time, they place them on trays in wheeled trucks alongside their work stations. These trucks are 29 inches long, 19 inches wide, and 36 inches high and each truck carries three trays.

The foods are then wheeled to storage refrigerators which are installed in the wall directly behind the

The Hanover Bank Cafeteria Service Counter



serving counters of the cafeteria. These refrigerated items are not moved again until the server at the outside cafeteria counter needs to replenish food in her section. At that time she merely opens the door on her side of the refrigerator (the unit has doors on both sides) and removes the trays of food.

All the food is prepared in relays throughout the day and placed in heat-retaining units so the servers at the hot tables have ample replenishment constantly available. Four ten-quart tilting kettles are used to cook vegetables in small quantities. This permits cooking to be delayed until only a few minutes before serving.

Among safety features incorporated in all refrigerators and in the freezer units where meats and vegetables are stored are mechanisms that enable a person to remove the door lock should he accidentally be locked inside. To prevent trouble of another kind—rising temperatures in the deep freeze units caused by electrical failure or some other mechanical difficulty—alarm bells will summon guards if the trouble occurs during nonbusiness hours. All refrigeration units have recording thermometers on the outside.

Safety features have also been built into new cooking equipment to prevent the possibility of steam scalding a worker.

Ease of Maintenance

Not only the carts for moving foods and stacked dishes have wheels; wheels are installed also on many other pieces of equipment (such as ice cream cabinets) to provide maneuverability and ease of maintenance. To make maintenance easy and thorough, sinks, kettles and working tables are cradled to eliminate legs, and several pieces of kitchen equipment are portable. All the pots, pans, and small utensils are washed and sterilized in a pot-washing machine.

Another special feature is an opaque window between the cafeteria supervisor's office and one section of the serving area. This window permits supervisory personnel to keep a watchful eye on outside operations but to remain unobserved by persons in the cafeteria.

EFFICIENCY FEATURES ALSO SAVE MONEY

Many of the features introduced for efficiency of operation and to please the patron have also proved to be time and money savers. Serving one kind of pie and cake, for example, cuts down the time of the pastry chefs. And contrary to what might be expected, fewer condiments are used when employees help themselves in the dining area than if they are served by attendants. (Consumption of catsup is less now than it was under the old table-service system when meat relishes and other condiments were often placed on the individual's plate before it was served.)

Some time and money savers have been achieved through the cooperation of the diners—although the latter usually are unaware of their contribution. And some of the situations leading to these savings are experienced, too, by other cafeteria managers.

For example, some persons may prefer to drink milk out of a glass rather than through a straw from a container. Accordingly, glasses as well as straws are placed beside the milk containers. But eight out of ten persons take a straw and don't bother with a glass. They have found that wedging an extra glass onto the food tray can be a problem. Psychologically, however, they are satisfied because they have their choice. Use of the straws, of course, means less time required for washing and transporting glasses. But if glasses were not provided, cafeteria personnel say, there would be requests for them.

A similar condition exists with respect to use of plates for rolls. Small plates are placed beside the bin warmer for rolls. But here, too, eight out of ten employees put their rolls on their luncheon plates instead.

As in most cafeterias, water units are placed in the dining area. At Hanover, two stainless steel units are built into the walls. But less than thirty glasses are used by the 2,000 patrons in one lunch period. Here again, it is believed, if water were not available, requests for it would be numerous. And washing thirty glasses in contrast to hundreds is obviously a great time saver.

A long-range money saver is the burnishing machine for silver. This machine, which is in the dishwashing room, not only brightens the silver but gives it longer life, the cafeteria manager finds.

Executive Dining Rooms

The supervisory personnel of the cafeteria also have charge of managing luncheon services for senior executives and bank customers in dining rooms on the eighteenth floor of the older section of the bank.[1] In addition to one large dining room, there are four smaller rooms for private parties. Two of these rooms can seat up to eight persons; one seats four, and the other fourteen. Diners in these rooms are served from a separate kitchen adjoining the dining rooms.

On special occasions, meals are also furnished in the 50 by 40 foot board-of-directors room that adjoins the lounge and main executive dining room. When this occurs, luncheon guests are usually impressed by the expeditious manner in which a hundred or more people can be served from specially built buffet tables made of mahogany to match the furniture in the board room. These buffets, which are 32 inches high and have shelves that open on the side of the server, are on casters. When the bank officers and their guests are ready for service, the buffets are wheeled into the room and attendants quickly serve the food.

[1] This area is connected to the new building (with the cafeteria) by a bridge on the fifth floor.

Tables with Built-in Feature

An efficiency feature that was planned carefully before furniture was ordered for the cafeteria's dining section is a table with a ledge built under the top. This storage place under the table top allows the diner to place his tray there after removing the dishes if he prefers not to eat on the tray. It also eliminates the diners' temptation to pile their trays on nearby tables that temporarily are not in use.

Here, again, however, the cafeteria patron has taken the easy way. Since all employees are asked to remove their own used dishes, most of them find it less trouble to leave the dishes on the tray when eating. This practice keeps the tables remarkably clean so there is less work for the part-time cafeteria help who keep the dining area in order. Bus boys are not needed.

When employees have finished eating, they place their trays and dishes on a conveyor belt near the exit of the cafeteria. The belt whisks the dishes into the dishwashing room (986 square feet) where a crew of persons works assembly-line fashion scraping plates and separating utensils before they pass through the dishwashing and scalding machines.

At one time, due to the carelessness of workers, there was considerable loss of kitchen utensils. Since most of these utensils are of stainless steel and fairly expensive, each replacement increases the operating cost of the cafeteria. This loss has now been eliminated by adoption of a check-in and check-out system similar to the tool crib practice in industry. Each morning an attendant issues to each cafeteria employee whatever utensils the latter needs to prepare or to serve the day's food. At the end of each working day, the employee must return his equipment to the attendant.

EYE APPEAL

The cafeteria is on the ninth floor of a new building completed eighteen months ago. It is colorfully decorated in shades of aqua, green, and yellow. Table arrangements are varied—there are booths around the walls, and tables are set up in islands to break the monotony of one large room with the same seating arrangement throughout. Most units seat two persons, but one table for six is provided for special occasions such as birthday, wedding, vacation, and retirement celebrations. Four hundred persons can be seated at one time in the cafeteria.

A short flight of stairs takes employees to their eighth-floor lounge, which was opened at the same time as the cafeteria. The lounge takes in 5,150 square feet of space and includes two card rooms, a television room, a reading room, a writing area, and a general lounge area for visiting or reading.

NIGHT SERVICE AND BRANCH OPERATIONS

Cafeteria service is provided not only from 11 a.m. to 2 p.m. for 1,900 employees but is also maintained at other hours for additional mail department employees, for watchmen, and for porters. These latter workers (about 300) are served at the following hours: 3 a.m., 4 a.m., 5 a.m., 6 a.m., 9:30 a.m., and from 5 to 7 p.m. (If employee clubs meet in the recreation rooms in the evening, their members also may eat in the cafeteria in the evening.)

Each morning, hot and cold stainless steel sealed containers of food and an aluminum pastry box are sent from the cafeteria kitchen and bake shop to the 500 employees in eight Manhattan branch offices. (Each branch has its own lunch room, refrigerator, and service attendant.) Because the food-carrying units keep contents hot or cold for several hours, there is no need for recooking the food. Empty containers to be used for cold foods are stored overnight in freezer units at the main branch so they will keep foods cold for a longer-than-usual period of time.

Each branch unit is apprised of the main cafeteria menu a day early. The cafeteria attendants for those units phone the orders for their unit personnel before the day ends. Therefore, each branch order can be filled and sent out early the next morning. The following is one day's order for a branch unit employing sixty-one persons: fifty puree of pea soups; forty-five chicken a la king; ten corn O'Briens; thirty-five servings of peas; three gallons of mashed potatoes; ten salads; ten corned beef sandwiches; twenty-four rice puddings, and one salt-free diet order. Fruit and ice cream are kept in the refrigerators at the branch offices.

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Management Bookshelf

The Outlook for Labor Costs in Local Governments—The growth of fringe benefits has given a new dimension to employee compensation. It has also made it more difficult, from the viewpoint of labor costs, for local governments to compete with private firms in staffing jobs. The author of this pamphlet believes that this disadvantage can be overcome if the general administrative efficiency and productivity of public employees are increased. This can be done, the author says, by selecting employees more carefully in order to reduce turnover, by expanding training programs to cover old as well as new employees, by developing organizational and procedural methods and techniques to step up both the quality and the quantity of worker output, and by re-examining operations periodically to see where manpower can be saved through the elimination of functions no longer required. *By Michael T. Wermel, California Institute of Technology, Pasadena, California, 1958, 14 pp., $1.*

The Conference Problem

What kind of problem is suitable for a conference? Three criteria help determine whether a given problem is likely to be solved by group discussion

A CONFERENCE has been defined as "a pooling of the thought of two or more individuals, the purpose of which is to assist in solving a problem." But frequently it is said that such meetings are conducted when no problem exists or when the problem that is presented is of very minor significance. Many conference planners want to know if there are any standards by which they may judge whether a given problem is suitable for a conference.

Over the years specialists in conference leading techniques have emphasized at least three criteria by which to judge a conference problem. These are: (1) the problem should be real; (2) it should be specific; and (3) it should be within the competence of the group that is to attempt its solution.

1. A Conference Problem Should Be Real

The reality of a given problem can be a matter of degree. It can vary from a problem that is imaginary or hypothetical to one which is an immediate and burning issue.

It has been found that the imaginary or hypothetical problem results in frustrations and resentments which seriously affect employee morale. This is particularly true when the leader attempts to hide the true nature of the problem or when he fails to recognize it himself. In such cases, conference members become irritated or at best uneasy because they know they are being manipulated.

It is well to avoid conferences on hypothetical problems, say the experts, unless the group understands that the problem is hypothetical and appreciates that there are values to be gained through participation in this kind of mental exercise.

Another aspect of the realness of a problem is the urgency of the situation. To what extent does the problem need a solution *now*? A new safety director in a plant on the eastern seaboard recently started his program with an extensive series of conferences pointed toward the identification and elimination of safety hazards. But actually, few accidents were happening in this plant, and its general safety record was the best in the whole industry. Consequently, the new director soon discovered his conference program was falling apart—because at that time there was no real safety problem that needed solution.

This illustration also points up the findings of most conference authorities: the problem must be real in the sense that it is recognized as real by the members of the group. The attitude of the members seriously affects their participation. Therefore, even though the leader may consider the problem real and urgent, if he does not or cannot get this feeling across to the group, their participation is likely to reflect their own evaluations.

There is another facet to the reality of a problem. This is one which is considered crucial by most authorities. It involves the attitude of the leader, particularly if he is the supervisor of those who are to participate.

Presumably, according to the experts, the manager who plans to have his subordinates meet with him, genuinely wants their thinking and intends to use it in coming to his final decision on the matter at hand. It is pointed out that if the manager has already made his decision, then no problem exists for group discussion. This is not to say that a manager may not have ideas on what constitutes an acceptable solution. It simply means that if there is a real problem, his mind will still be open; and he will consider the views of the group before a final decision is made. To do otherwise, it is insisted, would constitute a bald attempt at manipulation.

2. A Conference Problem Should Be Specific

In general we are told that the more specific the problem, the quicker and easier it will be handled and the more practical the results will be. At the same time it is recognized that there may be occasions when the problem cannot be very specific. For instance, a manager may call an exploratory conference to identify the problem. In such a case, the question for group discussion is: "What is our problem?" In one sense this may be considered specific but in another sense it can be quite a broad and general topic.

But when possible the problem should be specific. For instance, a meeting is called to consider how to improve attendance at a plant where absenteeism is high. If the conference leader opens the discussion on the whole broad area of absenteeism he is, we are told, looking for trouble. It is at this point that many conferences bog down or, more graphically, never get off the ground. To talk about everything, it is said, is to talk of nothing. The group can be expected to wander aimlessly until it finally breaks up with the complaint, "We didn't get anywhere."

The results may be different if the conference leader, after pointing up the whole area of absenteeism as the ultimate target, opens the actual discussion on only one limited part of the subject. This opening could be, for example, the causes of absenteeism due to transportation difficulties and how to overcome them. The leader then takes the group successively through the other specific areas of absenteeism until the entire problem has been discussed. The point here, of course, is that the group has its energy and attention riveted on one specific problem at a time. In this way logical thinking can progress to a practical goal.

3. A Conference Problem Should Be of Common Interest to the Group

This third standard means that a subject can be considered a good conference problem when the experience of those who make up the group gives each a knowledge and appreciation of the problem; it also helps if they are personally concerned in arriving at a practical solution to the problem.

People who are neither interested in the problem nor experienced in similar situations cannot reasonably be expected to contribute to a solution. While there are some who advance the argument that an outsider can and often does pose questions or make comments leading to the solution of a problem about which he knows nothing, few would recommend that participants be invited to discuss problems about which they are uninformed. Those who emphasize a conference as a pooling of thought and experience point out that if this standard is not met, a group will succeed only in pooling ignorance. Any practical, hard-headed businessman would be considered out of his mind if he invited a group of accountants to discuss with him the solution of a sales problem.

Thus, if the leader wants to know if a particular problem is suitable for a conference he can judge how real the problem is, he can decide how specific it can be made for discussion purposes, and he can determine if those who will discuss the problem have the background and experience to enable them to make useful contributions.

Phrasing the Problem

The successful leader is also extremely concerned about phrasing the question or problem which he has decided is appropriate for a conference. He knows that the words he uses and the way in which the problem is stated can have a marked effect on the group's thinking.

For one thing, the leader avoids stimulating value judgments before any thinking has taken place.

Assume, for instance, that a particular policy seems to be far less effective than expected. The department manager calls a meeting of his subordinates to discuss the deficiencies of the present policy and, perhaps, to suggest modifications. Should this manager open his conference by posing the question "Is this policy good or bad?" The authorities point out that to take such an approach is neither wise nor practical. The major difficulty is that the value judgments, "good or bad," force each participant, in effect, to decide before he thinks through the problem. This is the reverse of the process of logical thinking, and it causes each group member to take a position and then to search for rationalizations to justify his conclusion. Rationalizations may be useful at times but in this instance they are more likely to lead to confusion and conflict. The leader may well have inhibited the kind of serious thinking and consideration that he wants.

It is more reasonable to expect real thinking from the group if the problem is phrased somewhat as follows: "What are the advantages (or disadvantages) of this policy?" Or it might be more practical to start with the question: "How does this policy assist or hinder the accomplishment of our objectives?" With such a beginning, the group thinks first in terms of facts, examples, and illustrations in an analysis of the problem. A conclusion is not drawn until the evidence is presented and weighed.

Closely associated with the tendency to phrase questions involving value judgments is the inclination to ask questions which can be answered "Yes" or "No."

Suppose, for example, a manager and his subordinates are concerned with the improvement of production. How useful is it for the group leader to start with the question, "Can a foreman improve production?" Of course, there is little likelihood that anyone would say no. But by asking a "yes-no" question the leader is stimulating each member to jump to a conclusion and then to grope for justification.

The leader might phrase the question several ways. He might ask (a) "How can we help foremen to improve production?" Or, (b) "How can a foreman improve production?" Either question would serve to start group members thinking in terms of evidence and analysis rather than evaluations and conclusions.

However, it is the purpose of the meeting that will determine which of these two questions the leader will use. Thus, say the experts, if the purpose is to analyze how "We" can help the foremen, then question (a) is used. If the purpose is to determine what the foremen can do for themselves, then question (b) is more practical.

Authorities note that this example also demonstrates how a leader makes his problem more specific. And he can expect a more productive conference when he holds the group to the limitations inherent in the statement of the problem.

The leader usually avoids the word "should" in preparing a statement of the problem. This word is a danger signal because, as is pointed out, it so often implies a "yes-no" response.

"Should layoff be determined by seniority or merit?"

If this question is presented to a group, the obvious answer is "Yes, it should be one or the other." But probably the conference was not called to achieve such a result. Perhaps what is wanted is, "What is wrong with our present layoff formula?"

The experts also issue warnings against the use of value concepts as thought inhibitors.

"How should good policies be developed?"

The objection here revolves around the use of the word "good." Many would argue that it adds nothing to the clarity of the problem nor to the understanding of the question by the group. Quite the reverse. The use of such a word can be very confusing. Instead of thinking in terms of procedure or method, the typical conferee may consider the difference between good and bad policy; and he almost surely will try to resolve in his own mind whether a given procedure or method of development has any effect on the quality of a policy.

Naturally, the conference becomes bogged down when members are thinking of something apart from the purpose of the meeting. Perhaps the use of the word "good" here is simply a subconscious effort on the part of the leader to remind his subordinates that "the policies of this company are good."

Finally, a conference problem should be stated in concise, understandable words. This does not mean it is to resemble a telegram; but neither is it to be wordy. Words should be chosen that are clear and easily understood. This implies nothing more than the same care that is necessary in the composition of any written statement.

As an example, this question has been asked: "What information and details regarding corporate operations should management communicate to employees, and of what over-all benefit will this be to the company?"

But is it necessary to use so many words? Why not ask: "What should employees be told about corporate operations?"

There was a conference leader who asked: "How can we recruit college graduates for our company?" He had not thought his question through carefully enough since after a lot of wasted time, because of misunderstandings, it was finally brought out that the problem really was: "How can we influence more college graduates to accept our job offers?"

Language barriers are difficult enough without the added burden of not saying what is meant. Another illustration is the leader who asked his group: "How can we improve union-management relations?" when what he meant was: "How can management show labor that we mean business?"

With the problem stated in easily understood, carefully chosen words the member more easily grasps the nature of the problem and what he is expected to do about it. Consequently, the work of the conference is speeded.

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Management Bookshelf

New Dimensions in Collective Bargaining—Five areas considered to be of current significance in collective bargaining are examined in this volume. These areas are: the AFL-CIO merger; technological change; long-term contracts; the effect of Taft-Hartley upon collective bargaining relationships; and governmental and collectively bargained employee-security plans. A group of nine authorities on labor-management relations report, with extensive footnotes, on the results of their research in various phases of the five areas. *Edited by Harold W. Davey, Howard S. Kaltenborn, and Stanley H. Ruttenberg, Industrial Relations Research Association Publication, Number 21, Harper & Brothers, New York, New York, 1959, 203 pp., $3.50.*

Guide for Industrial Audiometric Technicians—This revised edition of a guide, first published in 1954, is intended "to enable the industrial audiometric technician, under the supervision of an otologist, to administer expert hearing-measurement techniques and to obtain accurate threshold audiograms, the validity of which are beyond question." The guide strengthens the approach to the technique for administering pure tone threshold audiometric examinations and attempts to standardize a simple approach to audiometric examinations. It is designed as a teaching aid and is helpful to groups concerned with hearing examinations and occupational loss of hearing. Brief background information on the physics of sound and the anatomy and physiology of the ear is included, as is a glossary of terms associated with audiometry and industrial hearing conservation. *Employers Mutuals of Wausau, Wausau, Wisconsin, 1958, 36 pp., free.*

The First Principles of Industrial Relations—The amount of production lost because of strikes is trivial compared to the losses caused by absenteeism and labor turnover, says the author of this British volume. However, he continues, probably the greatest losses of all are caused by factors that cannot be measured and yet are symptomatic of a general underlying human unhappiness in relation to work. Accordingly, the author devotes this volume to an examination of the basic causes of industrial discontent. Among the areas he discusses are the social, psychological, economic and physical sources of this unhappiness; then he turns to the contributions toward remedying this situation that might be provided by government, trade unions and the employer. *By A. E. C. Hare, MacMillan & Co., Ltd., St. Martin's Press, New York, New York, 1958, 146 pp., $2.75.*

Briefs on

PERSONNEL PRACTICES

Electronic Computer Operator Is Blind

To most people, the file computer which compiles records for the New York State Thruway is a modern electronic marvel. The huge machine processes toll cards at the rate of 27,000 an hour; it records information on 13,320 different combinations of toll rates, and it gives the thruway management a complete traffic breakdown on each of the road's exit stations as well as information on the kind of vehicles that travel between certain points on the thruway.

What is just as great a wonder to persons informed of the situation is the fact that a blind person operates the computer. This forty-five-year-old worker, blind since 1941, first worked with the thruway as a punch-card equipment operator. After being transferred to the operation of the computer where he fed cards into the huge machine that processes the toll cards, this operator took a course in computer programming and is now chief programmer for the machine. In this capacity he works out the complex patterns the machine follows in solving each of the problems scheduled for it.

According to *Performance,* a publication of the President's Committee on Employment of the Physically Handicapped, the program boards with which this operator works are complex mazes of wires that would be confusing even to a man with unimpaired sight.

A New Kind of Union-Management Cooperation

People who buy a home in the Chicago area are not likely to find anything wrong with the electrical installations. That's because of a clause in the contract between the Electrical Contractors' Association of Chicago and the International Brotherhood of Electrical Workers. It provides that any union electrician who does a faulty wiring or installation job can be ordered back to redo the job satisfactorily *on his own time.* Here is the exact language of the clause as it appears in the contract:

> "Workmanship: All electrical work put in or constructed by journeymen shall be done in accordance with the ordinance of the City of Chicago, or the rules of the Electrical Inspection Department governing same. All journeymen shall be held responsible for having their work done in accordance with the above mentioned rules, and in a workmanlike manner. Any member of either party hereto found guilty of willfully violating this rule shall be subjected to assessment or suspension.
>
> "All faulty work performed, chargeable to failure to inspect and test, or to negligence or incompetence of journeymen members of the union shall be remedied at the expense of such journeymen."

Over 300 union members have had to remedy faulty work at their own expense, under the terms of this provision. But that was shortly after the provision was put into effect. Now, the Electrical Contractors' Association reports, the need for rework is rare.

Record Penalty Imposed for Wage-Hour Violations

For failing to meet the requirements of the federal wage-hour law, a company in New York City was recently given thirty days to pay fines totaling $13,500 as well as court costs, according to a release from the Department of Labor's Region II Wage and Hour Division. The decision imposed the largest fine ever charged for such violations in the New York-New Jersey region; it also marked the first time a federal judge has ever added the payment of costs to the fine in a wage-hour case.

The penalized company had been found guilty of willful failure to pay the required minimum wage of $1 an hour, failure to pay four employees time and a half for hours worked over forty in the workweek, and willful falsification of wage-hour records. Testimony at the trial revealed that the four employees had been told they had to work extra hours each week without additional compensation. The company, incidentally, had paid almost $800 in back wages to the four employees before sentence was passed.

The Monroe Plan

The Monroe Plan was well under way when the flight of the first Russian Sputnik made a national issue of science education. Conceived by Robert H. Evans, Vice-President and General Manager of the Packaging Division of Olin Mathieson Chemical Corporation, the plan had been started at Neville High School in Monroe, Louisiana, with the help of a $10,000 grant from Mr. Evans' division and the cooperation of local educational authorities. As a first step, the best available chemistry teacher was sought in a nationwide search. This teacher, Lon H. Colborn of Pittsburgh, Pennsylvania, then selected the thirty top high-school students in Monroe and gave them a year-long, two-hour-a-day course in college-level chemistry. The students were charged no fee.

So satisfactory were the first year's results that the plan was expanded the following year. A second course —this one in physics—was begun in West Monroe High School, with an outstanding physicist as the teacher. An interschool transportation system was also arranged so that qualified students from all four high schools in the twin towns of Monroe and West Monroe could attend the advanced courses in both chemistry and physics. To finance the new program, Olin Mathieson's Packaging Division made a second grant of $10,000, with $5,000 going to each of the two school systems. In addition, both school systems voted special appropriations to cover the salary and expenses of the imported chemistry and physics teachers and to improve the facilities of the school laboratories.

Olin Mathieson regards the contributions it made to the success of the Monroe Plan a sound investment. Already it is studying ways to adopt the plan on a wide basis so as to extend its advantages to the other fifty-five O-M plants throughout the country.

Business Backs Foreign Policy Discussions

To bring home to them how business in general and individual jobs and living standards in particular can be affected by the foreign policy decisions facing our government, many firms have encouraged their employees to take part in "Great Decisions—1959." This is a nine-week discussion program in which an estimated 100,000 citizens in 400 communities across the nation are now studying current issues of foreign policy. The program is sponsored each year by the Foreign Policy Association, a nonprofit, nonpartisan educational organization. This year's discussions started February 1; when they end, opinion ballot summaries on the nine issues will be sent to the State Department by each participating community.

Union Becomes Principal Owner of Hat Firm

Next fall, the United Hatters' Union will find itself sitting on both sides of one bargaining table. It assumed the role of employer after serious financial losses in 1958 had decided the owners of the Merrimac Hat Corporation of America to start liquidation proceedings. On hearing this, the union stepped in and organized a new company which proceeded to take over and operate the firm. The announced purpose of the move was to save the jobs of 325 union workers.

Three hundred thousand dollars of the stock in the new company was subscribed by the union, and another $120,000 came from other investors. Also, the union's welfare fund has advanced $75,000, in this way joining a group of investors who hold a mortgage on the company's buildings and equipment. Operating capital of $1 million has been established by bank credit.

The union has retained the management of the old company to run the new firm, with one exception: the new company treasurer is to be the secretary-treasurer of the union. The union has six of its men on the nine-man board of directors.

Alex Rose, union president, expressed the hope that the company will pay $2 or $3 a share in dividends from future profits as a first goal. After that, earnings will be used to build a reserve and then to pay better wages and fringe benefits to workers. With respect to the contract negotiations to come up in November, 1959, he stated that the local union would make no special concessions which might, in turn, give the new company cost advantages over its competitors. He said:

> "Labor conditions and wage standards negotiated for the entire industry will automatically apply to Merrimac. Grievances will be processed by the local union representatives as heretofore. The union will not permit Merrimac to have any competitive advantages or special privileges in this regard."

The union's experience with a loan made in 1954 to the Kartiganer Millinery Company of West Upton, Massachusetts was cited by Mr. Rose as one reason for undertaking the new venture. He said that a loan to Kartiganer of $200,000 had prevented its liquidation. Since then, he continued, Kartiganer has repaid $250,000 in back taxes to the Federal Government and has repaid all but $25,000 of the union loan. Kartiganer now employs 600 workers.

Baby Capitalists

Beginning life as a capitalist was the experience of a daughter and three sons of 3M fathers. The newcomers arrived in the world on January 1 of this year, and each was immediately entitled to a share of common stock of the Minnesota Mining and Manufacturing Company, worth approximately $120.

This was the fifth year that New Year's babies were recognized in this way. The offer, with requirements for eligibility, has been published each year in the December issue of the employee magazine *The 3M Megaphone*. Only children of fathers employed by 3M have been eligible thus far. Children born to women on maternity leave from the company have not been eligible unless the father was on the company payroll on January 1. In case of multiple births, each twin or triplet was entitled to a share of stock.

The plan originally was devised primarily to provide feature material for the magazine and for the employee newspaper, *Inside 3M*. Announcement of the winners, in copy and photographs, provides material of interest to a wide circle of readers.

In a letter from the editor to the parents at the time the stock is delivered, it is indicated that the stock has been purchased and sent at the request of the president of the company, who extends his best wishes to them and the child. In some cases, presen-

tation is made by the local plant or office manager. Methods of presentation vary in different units.

While only a few employees have benefited directly through the gifts to their children, they expand each year the number of employee stockholders. Through stock ownership as "guardians," they become more familiar with the company's common stock, the dividends it pays, and the type of information 3M stockholders receive. Company management believes that employee stockholders can be authoritative "buffers" against harmful misinformation about company stock and stockholders that sometimes circulates.

General Electric's Baby Derby

In connection with birthday greetings of company stock, some will recall the startling baby derby that the General Electric Company conducted in 1953 as a part of its diamond anniversary celebration. All babies born to GE parents on October 15 of that year —the date of the founding of the Edison Electric Company which later became General Electric— received five shares of GE stock. Children of women employees on maternity leave were included in this company's offer.

It was hoped that thirteen babies would become investors as a result of the plan, which would equal the number of original investors in the company. However, the contest was announced in January, and GE employees evidently are planners. When the derby had ended and all October 15th babies of employees in all General Electric departments throughout the country had been counted, it was found that a total of 191 children had arrived in time to collect shares of stock.

At that time, five shares of GE stock sold for $390. Early in February of this year, the market value of each birthday gift had increased to $1,160. A three-for-one stock conversion in 1954 had increased the size of each child's holding to fifteen shares. Over the five-year period, dividends on each child's holding amounted to $148, or 38% of the market value when the baby arrived.

The number of children born to General Electric employees on the anniversary date far exceeded actuarial expectation. But after swallowing their gulps of surprise, GE officials arose nobly to the occasion. Every one of the 191 infant stockholders was given a cordial company welcome.

Inflation Solutions

Creeping inflation is generally recognized as a positive menace to American economic stability and growth. But there is a wide divergence of opinion as to how this menace can be stopped. President Eisenhower suggests that the initial responsibility for action rests with consumers, businessmen and labor leaders. It's up to them, he said, to halt inflation's steady rise by exercising voluntary restraint in buying, pricing and bargaining.

But management and union officials disagree. On the management side, Walter D. Fackler, Assistant Director of Economic Research for the United States Chamber of Commerce, points out that "our system depends on . . . competition. . . . To admonish self-restraint presupposes that business and labor organizations have sufficient economic power to generate autonomous inflationary pressures. . . . Surely vigorous enforcement of competition would be a wiser policy than to call for voluntary private restraint or to threaten possible imposition of price and wage controls."

On the labor side, AFL-CIO President George Meany believes the answer lies in licking unemployment. This can be done, he feels, by increasing wages and decreasing the workweek. The alternative, he adds with tongue in cheek, is to "shoot 10% of the population."

Accidental Injury Defined in Bill

A bill that has been introduced in the 1959 New York State Legislature would add a definition of accidental injuries to the Workmen's Compensation Law. (At present, the law does not define "accident," but it defines "injury" as covering "accidental injuries arising out of and in the course of employment and such disease or infection as may naturally and unavoidably result therefrom.")

The new bill would define accidental injuries as injuries which result from an extraordinary and unexpected external event identified in space and time.

Quarter Century Club Starts Scholarship Fund

The Quarter Century Club of The Hanover Bank, New York, has established a scholarship fund to help children of staff members defray first-year college expenses.

Two $1,000 scholarships—one for a boy and one for a girl—will be offered in the 1959-1960 college year. Club members have pledged more than $1,000 for the first year, while the Central Hanover Foundation has offered to match staff contributions up to a limit of $2,000. The foundation was established in 1941 to give financial assistance to deserving employees, promote employee welfare, and sponsor educational programs, among other purposes.

Those eligible for scholarship consideration are: children of employees with five or more years' continuous service, and children of former employees with five or more years' continuous service who have retired under the bank's retirement and insurance plan or have died while in the bank's employ.

Children of vice-presidents or officers of higher rank are not eligible. Any employee may donate to the fund through payroll deductions.

Labor Press Highlights

Unions Cite Organizing Goals

ORGANIZE" is once more—or still—the slogan of the times in the pages of the labor press.

Steel Labor, published by the United Steelworkers of America, AFL-CIO, prophesies that 1959 will see an all-out organizing drive by that union—a drive that will surpass the results of last year's gains of 13,000 new members and 125 new local unions.

On the other hand, the Communications Workers of America, AFL-CIO, have called for a personal organizing drive by individual union members to reverse a *downward* trend in membership. A loss of more than 19,000 members, caused primarily by a drop in employment in the communications industry, occurred during 1958, relates the *CWA News.* Despite this loss, the paper reports that, percentagewise, the Communications Workers actually increased their organization of the industry during this time.

Another union, the Oil, Chemical and Atomic Workers, directly attributes what it calls its recent "weak" oil industry settlement to its lack of substantial organization in that industry. An editorial appearing in the union's publication, *Union News,* explains why the OCAW "had to accept" a 5% general wage increase offered by the oil industry, rather than the "larger and fairer" settlement it sought. The union reasons that if a more substantial segment of the oil industry was unionized, strikes or threatened strikes would be more effective, and the oil companies would be less willing to risk a strike. Continues the OCAW:

> "The fact that much of the oil industry remains unorganized is causing lower wages for all of its workers. The presence in the industry of a large number of unorganized plants and a large number of plants in which independent unions prevail, is taking money out of the pockets of members of OCAW, of members of the independent unions and of unorganized workers."

Therefore, concludes the OCAW, the greatest need of oil workers is for greater organization and unification into one union. OCAW members are reminded that they "will be lining their own pockets" if they encourage organizing programs and take an active part themselves in signing up nonmembers.

Joint organizing committees are being set up by the Metal Trades and Building Trades Departments of the AFL-CIO, in an effort to increase the effectiveness of the two groups in organizing their crafts in the atomic energy, chemical and oil industries. The programs for closer cooperation between the two groups, reports *Labor,* were formulated during their recent midwinter meetings. (Such moves are expected to be vigorously protested by the Oil, Chemical and Atomic Workers Union, which has already complained to the AFL-CIO executive council about what it considers to be "unconstitutional organizing activities" of the two departments. An earlier issue of the OCAW's *Union News* described the "encroachment" upon OCAW jurisdictional territory by the Metal and Building Trades Departments, and reported that the OCAW had asked the AFL-CIO to order these groups to "cease interfering with the organizing jurisdiction" of the OCAW.)

Insurance Unions to Merge in May

Two AFL-CIO unions representing workers in the insurance industry have announced their intention to complete merger arrangements in May of this year. The unions are the Insurance Agents International Union and the Insurance Workers of America, which together, says the *AFL-CIO News,* represent 35,000 insurance workers. A joint statement by the presidents of the two unions, rejoicing in the creation of a "fair and equitable" merger agreement, declared:

> "We feel that this will produce the kind of fundamental harmony envisioned in the merger of the AFL and CIO and bring to all insurance workers the opportunity to organize into one strong union in order to bargain collectively and effectively with their various employers."

Merger discussions between the two unions began in 1955 but deadlocked over the question of voting at conventions. Suggestions offered by AFL-CIO President George Meany, says the *AFL-CIO News,* served to break the deadlock.

Terms of the agreement provide that the president of the new union will come from the Insurance Agents and the secretary-treasurer from the Insurance Workers.

AFL-CIO to Begin Consumer Counseling

"Millions of dollars won by wise trade unionists across collective bargaining tables are lost by unwise consumers across the nation's store counters." With this statement, the AFL-CIO's *The American Federationist* announces the addition of a consumer counseling program to the functions of its Community Service Activities Department. Leo Perlis, director of the

department, reports that the consumer program will be given first priority in his group's 1959 work.

The goal of the consumer program, says Mr. Perlis, will be to make union members aware of how to get their money's worth and how to stretch their dollars. Classes and conferences on consumer problems will be held for union members and their spouses, covering such topics as family budgets, personal and property insurance, food purchasing and meal planning, and installment buying. In addition to cooperating with government agencies, Better Business Bureaus and credit unions, the Community Service Activities Department will work with the AFL-CIO Union Label and Service Trades Department, and emphasis will be placed on the union label as a "symbol of sound, honest craftsmanship."

Unions Report on Strike Disbursements

The new $35 a week strike benefit of the Machinists' union has "passed its first test and proven beyond any doubt its great worth to union members," reports IAM Secretary-Treasurer Eric Peterson. More than 15,000 IAM members received strike benefits totalling $1,246,000 during the months of November and December, declares Mr. Peterson in an article in *The Machinist*. More than 13,000 of these were striking airline employees.

The Machinists' union increased its strike benefits from $10 to $35 a week effective last November, when $2 million had been accumulated through per capita tax payments of 50 cents per member per month. It will continue to pay this increased benefit as long as the fund is solvent. Mr. Peterson adds that, despite the heavy drain on the fund, as of January 1, a balance of $1,397,035 remained.

In similar fashion, United Auto Workers Secretary-Treasurer Emil Mazey has reported on the state of his union's strike fund. During 1958, a total of $22,100,000 was spent for strike benefits. This amount, says the union's newspaper, *Solidarity*, represents the highest expenditure for strike benefits ever made by the UAW.

An additional $3,300,000 was disbursed in January, 1959 by the union. As of January 31, 1959, the Auto Workers' strike fund reserve had dropped to $16,600,000. Because the union's constitution requires an increase in dues whenever the fund is below $20 million, the executive board has approved a one-dollar-a month dues hike, to become effective in March and to continue until reserves of $25 million have been accumulated.

An article appearing in the Street, Electric Railway and Motor Coach Employees' newspaper, *The Union Leader*, also reports on the disbursement of strike benefits by that union. During the first eleven months of 1958, more than $715,000 was paid out in benefits. "Although the benefits of $25 per week after the second week may seem meager to some," comments the publication, "in most instances this $25 represents the only source of income to families of recipients." The union cautions, however, that disbursements have been exceeding receipts and that during the first eleven months of 1958 the strike fund's balance dropped from $1,800,000 to $1,500,000.

Ladies' Garment Workers Adopt Union Label

For the first time in the history of the union, a union label—symbol of "good workmanship, an American standard of living, fair competition, and peaceful labor-management relations"—has been adopted by the International Ladies' Garment Workers' Union, AFL-CIO. In announcing the new label, the union's newspaper, *Justice*, explains that shops in the Metropolitan New York area began sewing the label onto their garments in January.

In order to win consumer acceptance of the union label, the Garment Workers' Union says it will spend $1 million in each of the next two years, in an all-out promotional campaign. The union hopes to persuade the women of America to ask for the union label when they buy dresses and other products.

According to ILGWU President David Dubinsky, 75% of his union's membership is now covered by agreements providing for the use of the union label. This label, reports *Justice*, is "one of the great gains won through our last general strike [in March of last year]. It can be of great service to us in our efforts to safeguard the jobs and earnings of union dressmakers. . . . This can mean more work in union shops. It can limit competition from nonunion shops operating under substandard conditions, no matter where they exist."

Congressmen with Union Cards

At least eighteen members of the 86th Congress belong to labor unions, reports the *Catering Industry Employee*, journal of the Hotel and Restaurant Workers Union, AFL-CIO. Although none of the eighteen congressmen belongs to this particular union, such other unions as the Bricklayers, Newspaper Guild, and Teamsters are represented. Five of the card-carrying unionists represent congressional districts in the state of California.

Meat Cutters to Continue Poultry Inspection Drive

Now that all poultry shipped in interstate commerce is subject to federal inspection, the Amalgamated Meat Cutters and Butcher Workmen, AFL-CIO, will intensify their drive for similar legislation on state levels. The drive for federal inspection was begun by the Meat Cutters in 1946, reports the *Allied Industrial Worker*, and was waged by labor, consumer and public health groups. It reached its successful conclusion with passage of the Poultry Products Inspection Act, which became effective last January 1.

Marie P. Dorbandt
Division of Personnel Administration

Spending of Older Persons

(Continued from page 87)

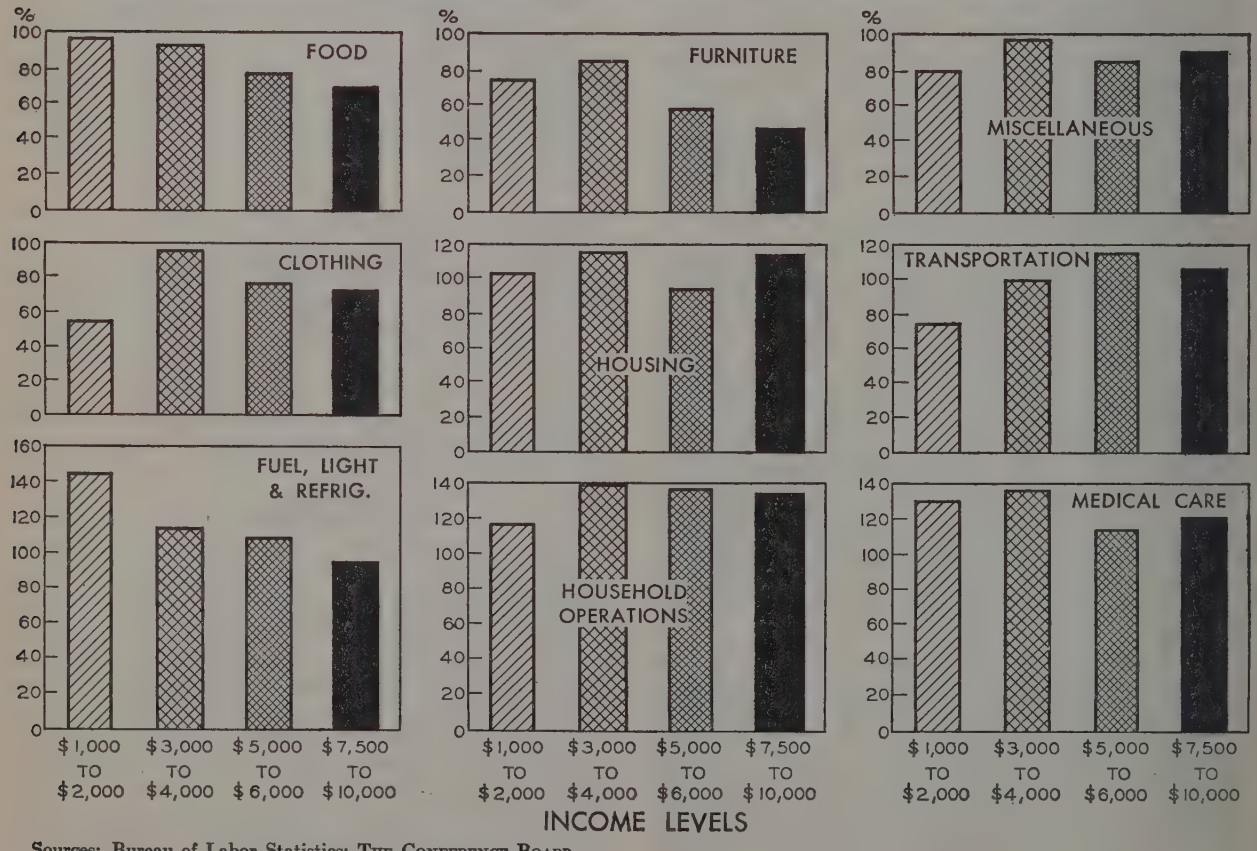
recently almost this entire market has been slanted toward the younger consumer. Since many goods and services did not fit the needs of older people, they did not spend their money.

Yet, some items are relatively more important to the older than the younger. In the past, older families, at all income levels, have consistently spent a larger portion of their total expenditures on housing. The United States Federal Council on Aging in 1958 reported that 68% of the families headed by older people owned their own homes and that 80% of these were mortgage free. However, many of these homes are physical and financial burdens to older people, because of their size and the cost of upkeep. Older people would, therefore, be likely to spend more if their incomes increased or were at higher levels for homes or apartments that suited their needs. Or, the "younger" and healthier older couples might be induced to vacation at lodgings which catered to their age group.

From the $5,000 to $6,000 income class upward, transportation is also a relatively more important item for older families than for the younger group. Since the older generally have more time to travel, travel agencies which give special attention to the older person could perhaps find a new group of customers for transport facilities. Automobile advertisements have been appealing to the older age group, with illustrations showing that "grandfather" enjoys his car as well as the younger family. The trailer industry, also, has found a new market for its products.

Food is the most important item for both family groups. At the low-income level, food expenditures comprise a slightly larger percentage of the total expenditures in the older family's budget than in the younger family's. Even at this level, though, the older family's outlay for food is 3.3% less than the younger family's. In other words, the older family spends less

Chart 2: Major Consumption Expenditures of the Older Family as a Percentage of Expenditures of the Younger Family at Four Income Levels



Sources: Bureau of Labor Statistics; The Conference Board.

Consumption Expenditures of Older Families with 2.2 Persons as a Percentage of Expenditures of Younger Families of the Same Size at Four Income Levels

Income Levels	All Items	Food	Housing	Fuel, Light, Refrigeration	Household Operations	Furniture	Clothing	Transportation	Medical Care	Miscellaneous
$1,000- 2,000	93.2	96.7	100.4	142.7	115.2	72.9	54.7	74.1	130.0	80.0
$3,000- 4,000	100.6	91.5	113.6	112.3	139.5	86.2	94.0	99.7	137.4	98.4
$5,000- 6,000	88.9	79.1	94.0	107.8	137.1	58.2	76.3	115.7	112.6	84.8
$7,500-10,000	85.2	69.3	113.2	94.2	133.5	45.6	71.4	106.3	120.2	90.2

Sources: Bureau of Labor Statistics; THE CONFERENCE BOARD

than the younger for food items, but it spends a larger share of its budget.

Older people also spend less than younger families for food as income rises. In the $7,500-$10,000 income class, older families spend 30.7% less than the younger families for food. However, a new market in this area has been discovered, as specially prepared foods, which appeal to the older age group, are now being sold.

Older people spend less than the younger for clothing at all levels of income. Their spending pattern follows somewhat the same one as total expenditures, except that in the $2,000 to $4,000 income range, their clothing expenditures do not reach the level of the younger group's. Furniture is also a less important item to the older family at all income levels. At higher incomes, older families spend considerably less than the younger. Little difference exists in furniture spending between an older family having a $3,000 income and one with a $10,000 income. Most older families very likely made all the major purchases for furniture in their younger years.

Although older people spend less than the younger for miscellaneous items at all income levels, it becomes slightly more important in their total budget in the high-income class. Since older people usually have the time to develop hobbies that would give them an outlet for their creative abilities, it would seem that many items could be marketed to appeal to the older group. A growing number of communities that have recognized this need have recreational centers primarily for older people who cannot afford to spend much of their money on recreation because of their limited incomes.

Household operation expenditures of the aged are more important in their budget than in the younger family's at all income levels. The basic necessities of fuel and medical care also take up a larger share of the older family's budget.

Response to Rise in Income

From 1954 to 1965 the older population is expected to rise 28.4%—from 13,735,000 to 17,638,000 persons. In order for the aggregate income to reach $32 billion by 1965, median income would have to rise at a rate of 2% a year. However, if the aggregate income of older persons rises only in proportion to the projected rise in population, it is unlikely that the spending patterns of older families will change appreciably. Aggregate income of persons sixty-five and over would thus reach $25.7 billion by 1965, assuming that their aggregate income was $20 billion in 1954.

If the median income rises at 1.5% a year (or half the rate of increase between 1947 and 1957), there could be a shift in spending patterns by 1965. The aggregate income, in this instance, would be $30.3 billion. This would mean an increase of 51.5% in aggregate income and an increase of 18.0% in per capita income. With such a rise, a larger portion of the older family's income would go toward clothing, transportation, household operations, housefurnishings and appliances, and miscellaneous goods and services. On the other hand, the older family of 2.2 persons would spend proportionally less for food, housing, fuel and medical care than it had in the past. This is assuming that the consumer price level remains stable. A rise of 1.0% a year in prices would greatly reduce the amount of additional purchases that the older family would be able to afford.

A spread between the expenditures of the two family groups will, in all probability, continue to exist regardless of a rise in the older family's income—unless their income rises at a faster rate than that of the younger family, and this is a development which seems very unlikely.

However, this study has shown that older families do spend more than younger families of the same size at the same income level for some goods and services. At all levels, more is spent for medical care and household operations, and at most levels, more is spent for fuel. More was spent by the older group in the past for housing, except in the $5,000-$6,000 income level. However, with the boom in housing, younger people have in recent years undoubtedly been spending more than the older people, and this is true even at the lower-income levels.

Between $4,000 and $5,000 income, older people begin to spend more for transportation. Also, older people would spend more if their incomes rose, but not to the extent that the younger families would. With the development of new items designed especially for the older person, however, their spending patterns could very well change.

ZOE CAMPBELL
Division of Consumer Economics

Significant Labor Statistics

Beginning with this issue of the *Management Record*, all consumer price index numbers are Bureau of Labor Statistics figures. These index numbers (and the resulting percentage changes) are not comparable with NICB price data published on this page previously. For an outline of the essential differences between the two indexes, see "Prices and Price Indexes" in *The Business Record*, July, 1956.

Item	Unit	1959	1958						Year Ago	Percentage Change	
		Jan.	Dec.	Nov.	Oct.	Sept.	Aug.	July		Latest Month over Previous Month	Latest Month over Year Ago
BLS Consumer Price Indexes (see note above)											
All Items	1947–1949 = 100	123.8	123.7	123.9	123.7	123.7	123.7	123.9	122.3	+0.1	+1.2
Food	1947–1949 = 100	119.0	118.7	119.4	119.7	120.3	120.7	121.7	118.2	+0.3	+0.7
Housing	1947–1949 = 100	128.2	128.2	128.0	127.9	127.9	127.9	127.7	127.1	0	+0.9
Apparel	1947–1949 = 100	106.7	107.5	107.7	107.3	107.1	106.6	106.7	106.9	−0.7	−0.2
Transportation	1947–1949 = 100	144.1	144.3	144.5	142.7	141.3	141.0	140.3	138.7	−0.1	+3.9
Medical Care	1947–1949 = 100	147.6	147.3	147.0	146.7	146.1	145.0	144.6	141.7	+0.2	+4.2
Personal Care	1947–1949 = 100	129.4	129.0	129.1	128.8	128.7	128.9	128.9	127.8	+0.3	+1.3
Reading and Recreation	1947–1949 = 100	117.0	116.9	117.0	116.6	116.6	116.7	116.6	116.6	+0.1	+0.3
Other Goods and Services	1947–1949 = 100	127.3	127.3	127.3	127.2	127.1	127.1	127.2	127.0	0	+0.2
Employment Status[1]											
Civilian labor force	thousands	67,430	68,081	68,485	69,111	68,740	70,067	70,473	66,732	−1.0	+1.0
Employed	thousands	62,706	63,973	64,653	65,306	64,629	65,367	65,179	62,238	−2.0	+0.8
Agriculture	thousands	4,693	4,871	5,695	6,404	6,191	6,621	6,718	4,998	−3.7	−6.1
Nonagricultural industries	thousands	58,013	59,102	58,958	58,902	58,438	58,746	58,461	57,240	−1.8	+1.5
Unemployed	thousands	4,724	4,108	3,833	3,805	4,111	4,699	5,294	4,494	+15.0	+5.1
Wage Earners[2,3]											
Employees in nonagr'l establishm'nts	thousands	*p* 50,266	*r* 51,909	*r* 51,432	51,136	51,237	50,576	50,178	50,477	−3.2	−0.4
Manufacturing	thousands	*p* 15,626	*r* 15,757	*r* 15,795	15,536	15,755	15,462	15,161	15,865	−0.8	−1.5
Mining	thousands	*p* 704	*r* 713	712	708	711	708	705	766	−1.3	−8.1
Construction	thousands	*p* 2,331	*r* 2,478	*r* 2,784	2,887	2,927	2,955	2,882	2,387	−5.9	−2.3
Transportation and public utilities	thousands	*p* 3,830	*r* 3,878	*r* 3,885	3,897	3,886	3,897	3,907	3,985	−1.2	−3.9
Trade	thousands	*p* 11,037	*r* 11,954	*r* 11,382	11,225	11,151	11,011	10,984	11,140	−7.7	−0.9
Finance	thousands	*p* 2,367	*r* 2,371	*r* 2,374	2,380	2,392	2,413	2,410	2,344	−0.2	+1.0
Service	thousands	*p* 6,303	*r* 6,381	*r* 6,426	6,463	6,472	6,452	6,465	6,241	−1.2	+1.0
Government	thousands	*p* 8,068	*r* 8,377	8,074	8,040	7,943	7,678	7,664	7,749	−3.7	+4.1
Production and related workers in mfg. employment											
All manufacturing	thousands	*p* 11,812	*r* 11,946	*r* 11,981	11,721	11,940	11,645	11,353	12,024	−1.1	−1.8
Durable	thousands	*p* 6,714	*r* 6,749	*r* 6,742	6,421	6,579	6,339	6,270	6,869	−0.5	−2.3
Nondurable	thousands	*p* 5,098	*r* 5,197	5,239	5,300	5,361	5,306	5,083	5,155	−1.9	−1.1
Average weekly hours											
All manufacturing	number	*p* 39.9	*r* 40.3	39.9	39.7	39.9	39.6	39.2	38.7	−1.0	+3.1
Durable	number	*p* 40.3	*r* 40.8	40.3	40.0	40.2	39.8	39.4	38.9	−1.2	+3.6
Nondurable	number	*p* 39.4	39.6	39.4	39.3	39.4	39.3	38.9	38.3	−0.5	+2.9
Average hourly earnings											
All manufacturing	dollars	*p* 2.19	2.19	2.17	2.14	2.14	2.13	2.13	2.11	0	+3.8
Durable	dollars	*p* 2.34	2.35	2.33	2.29	2.30	2.28	2.28	2.24	−0.4	+4.5
Nondurable	dollars	*p* 1.98	1.97	1.96	1.95	1.95	1.94	1.94	1.92	+0.5	+3.1
Average weekly earnings											
All manufacturing	dollars	*p* 87.38	*r* 88.26	86.58	84.96	85.39	84.35	83.50	81.66	−1.0	+7.0
Durable	dollars	*p* 94.30	*r* 95.88	93.90	91.60	92.46	90.74	89.83	87.14	−1.6	+8.2
Nondurable	dollars	*p* 78.01	78.01	77.22	76.64	76.83	76.24	75.47	73.54	0	+6.1
Straight time hourly earnings (estimated)											
All manufacturing	dollars	*p* 2.13	*r* 2.12	2.11	2.03	2.08	2.08	2.09	2.07	+0.5	+2.9
Durable	dollars	*p* 2.27	2.27	2.26	2.23	2.23	2.22	2.23	2.20	0	+3.2
Nondurable	dollars	*p* 1.94	1.92	1.92	1.91	1.91	1.90	1.90	1.89	+1.0	+2.6
Turnover Rates in Manufacturing[2]											
Separations	per 100 employees	*p* 3.0	*r* 2.8	2.8	3.2	3.3	3.2	3.0	5.0	+7.1	−40.0
Quits	per 100 employees	*p* 0.9	0.7	0.8	1.1	1.5	1.2	0.8	0.8	+28.6	+12.5
Discharges	per 100 employees	[a]	0.2	0.2	0.2	0.2	0.2	0.2	0.2	—	—
Layoffs	per 100 employees	*p* 1.6	*r* 1.8	1.6	1.7	1.4	1.6	1.8	3.8	+11.1	−57.9
Accessions	per 100 employees	*p* 3.2	*r* 2.4	2.8	3.4	3.8	3.6	3.2	2.5	+33.3	+28.0

[1] Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
[2] Bureau of Labor Statistics.
[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.
[a] BLS has discontinued publication of separate discharge rates. Discharges are included in total separations as usual.
p Preliminary. *r* Revised.

Wage and Fringe Developments in Bargaining

A new contract has substituted measured day work pay—determined for each job by using modern work measurement techniques—for the former incentive pay

IN A new contract between the Sealed Power Corporation and the UAW, the former piece-rate incentive system has been abandoned for measured day work. With this system, rates for measurable jobs are determined on the basis of relative skills, and the jobs are placed in specific job classifications. Standard performance is determined for each job by using modern work measurement techniques, and employees must attain and maintain these standards to remain on the job.

The old contract had two job categories—incentive and nonincentive. These are replaced in the new contract by three categories—measured day work, day work, and skilled-trades jobs. Each category is covered by a separate wage scale. The scales for day work and skilled-trades jobs provide a separate rate for each job. Rates for day work are from $1.955 an hour to $2.655; skilled-trades jobs are from $2.465 to $2.765 an hour.

The measured-day-work scale groups jobs into classes. A single rate applies to all jobs in each class. There are seven classes with a 7-cent interval between each class, from lowest to highest. The rates range from $2.19 to $2.61 an hour.

Employees who were on incentive rates under the old contract are now on measured-day-work rates. On the average, their earnings are lower than the incentive earnings they received under the old contract. However, former nonincentive workers who are now in the measured-day-work category are earning more, even though they are not yet on standard rates. In many cases, standards for them have not yet been determined by the company. Until standards are set and are attained, these employees will be paid in accordance with a wage scale designed as a preliminary to the measured-day-work scale.

The preliminary scale includes a rate range for each job in each class. Automatic progression to the maximum of the range is provided in three steps. Beginning rates are from 13 cents to 40 cents an hour lower than rates for corresponding jobs when covered by standards. But each maximum rate is just 5 cents less than the comparable measured-day-work rate. As new employees are hired for measured jobs, they too will be placed on preliminary rates until standards are met.

Other features of the three-year contract include deferred increases and a cost of living provision. While no immediate wage increase is given, a 6-cent hourly boost is provided after the first year and again after the second. In addition, skilled trades receive an 8-cent raise beginning with the second year.

A 10-cent cost of living increase is included in the new contract rates, and corresponds to a level of 123.7-124.1 of the BLS index. However, there will be no further cost of living changes— either upward or downward—before December 1, 1959. From then on, there will be quarterly adjustments at the rate of 1 cent for each 0.5 point change in the consumer price index.

The company-paid group insurance plan increases daily hospital benefits to $15 from $11; the maximum hospital maternity benefit is increased to $125 from $110. Also, the new agreement includes the Ford-GM SUB and pension plans.[1]

Airlines Negotiate Back Pay

After more than a year of negotiations several airlines have concluded three-year agreements with the Machinists' union covering back pay to October 1, 1957, the effective date of the contract. Layoff pay provisions and bomb explosion insurance are also included in some of the agreements. Contracts negotiated at Eastern Airlines, Northwest Orient Airlines, and Trans World Airlines have been confirmed by THE CONFERENCE BOARD.[2]

Wage boosts over the contract period total 15½% in four installments: 5% October, 1957; an additional 2% April, 1958; another 5½% October, 1958; and another 3% October, 1959. These represent hourly hikes which fluctuate slightly among the various companies. The range, depending on labor grade, is from 26 cents to 49 cents an hour at Eastern; from 24 cents to 46 cents an hour at Northwest; and from 28 cents to 53 cents an hour at Trans World Airlines.

At Northwest and at Eastern, in addition to increased base rates, employees retained longevity pay of 1 cent an hour for each year of service up to a maximum of 10 cents an hour. Thus, a ten-year employee whose hourly base rate is $2.95 gets $3.05 instead.

TWA and Eastern have added layoff-pay provisions to their contracts. Under the layoff-pay plan employees with two years' service or more receive a

[1] For a description of the Ford and GM SUB and pension plans see *Management Record*, October, 1958, p. 334.

[2] Press reports indicate that similar agreements were negotiated at Capital, National and Northeast Airlines.

week's pay for each year of service up to eight weeks' pay. The layoff allowance is granted under either of two circumstances: (1) if the layoff is caused by technological improvements or (2) if a layoff for any reason exceeds four months.

In addition, TWA adds new bomb explosion insurance providing $100,000 maximum coverage for death or permanent disability caused by explosions in or near aircraft on the ground.

Paid Sick Leave Tied to Years of Service

Under the terms of a recent agreement between the Hevi-Duty Electric Company and the Technical Engineers Association, ind., an employee's salary is continued for each absence resulting from sickness or injury. The extent of salary continuation and the proportion of the employee's salary payable is set forth in a salary continuation schedule geared to service. An employee with ninety days' but less than a year's service receives his full salary for a total of five days. With one year's but less than two years' service the employee receives, in addition to full salary for five days, 60% of his salary for twenty more days. Employees with twenty years' service or more receive the highest sickness and injury benefit allowable—full salary for twenty days and 60% of salary for an additional 120 days. The complete salary-continuation schedule is shown below:

Continuous Service at Beginning of Year	Maximum Number of Days	
	At 100% of Daily Salary	At 60% of Daily Salary
Less than 90 days	0	0
90 days to 1 year	5	0
1 to 2 years	5	20
2 to 3 years	5	40
3 to 4 years	5	60
4 to 5 years	5	80
5 to 10 years	10	100
10 to 15 years	15	100
15 to 20 years	15	120
20 or more years	20	120

Following an illness or injury, maximum benefits are reinstated when the employee is back on the job for ten consecutive days. Benefits under the schedule are reduced, however, by any disability payments received from workmen's compensation or any other disability plan sponsored by the company.

The one-year agreement covers bargaining units at the company's plants in Watertown and Milwaukee, Wisconsin. A wage increase was bypassed in the negotiations, but wages may be reopened for negotiation upon sixty days' notice by either party. Under the contract, rates of pay for clerk trainees range from $59 to $77 per week. Electrical draftsmen receive weekly pay of from $85.50 to $111.25. Weekly pay for graduate engineer trainees ranges from $105 to $111.25. Engineers receive from $137.75 to $179.50.

The new contract also provides two weeks' vacation for employees with one year's service. They formerly received just one week. And the cost of group life insurance to the employee is reduced.

Telephone Agreements Revise Pension Computation

Bell Telephone companies in the Midwest and North West have negotiated new contracts with the Communications Workers which call for improved pension benefits, wage increases of from $1 to $5 per week, and four weeks' vacation for employees with thirty years' service or more.[1]

Under the new retirement plan, pension benefits are based on the employee's average earnings in his last or best five years of earnings, at the discretion of the benefit committee. Formerly computation was based on average earnings in the last or best ten-year period. Also, pension minimums for employees retiring at age sixty-five are increased to $115 a month from $100. Minimums for those retiring before age sixty-five are increased by $10 to $85 a month.

In addition to these major items covered by the pattern settlement, individual agreements include other contract changes as well. For instance, the Illinois Bell contract provides some reclassification adjustments in addition to the general wage increase. A total of 7,300 local and long distance operators and clerical employees are covered.

At Northwestern Bell Telephone Company, in addition to the general wage increase, craft schedules in three towns and clerical schedules in twenty-eight towns are upgraded to higher levels. Also, travel and meal allowances are improved for directory advertising representatives. The weekly car allowance for local usage is increased for the authorized employee working a sixth day in the week. And payment of 8 cents per mile for personal car usage for other than local travel is allowable, in place of equivalent rail or bus fare. The new contract also grants maternity leave and permits an employee on maternity leave to return to work if the company has an opening in the force group that she left.

Disability Allowance and Major Medical Plan Negotiated

The new contract between Dayton Power and Light Company and the Utility Workers offers notable improvements in employee benefits, including a new supplemental major medical plan, an improved base plan, a new disability allowance, reduced requirements for vested pension rights, and an increased minimum pension. The new retirement and medical plans remain in effect for five years, until October 26, 1963. Otherwise, the contract duration is one year.

The new disability plan covers the totally and per-

[1] The companies are Wisconsin Bell, Northwestern Bell and Illinois Bell.

(Text continued on page 108)

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
ELECTRICAL MACHINERY		
Emerson Electric Mfg. Co. with *IUE* at St. Louis, Mo. 2,5000 hourly Effective 10-1-58. Contract expired New contract: 2 years	Straight-time base rates increased 2½%, plus additional 3¢ to skilled trades 27¢ per hour "adder" incorporated into straight-time base rates. Adders factored into incentive base rates and day rates at 160% plant efficiency (17¢ per hour equivalent)	Added: Incentive workers' bonus plan
Thomas Edison Industries with *IUE* at West Orange, N. J. 1,085 hourly Effective 11-1-58. Contract expired New contract: 1 year	5¢ to 10¢ per hour general increase (6¢ per hour average) effective 1-5-59	Revised: Insured disability pay, group life insurance—12-1-58 Funeral leave pay—11-1-58
Wagner Electric Co. with *IUE* at St. Louis, Mo. 3,500 hourly Effective 11-26-58. Contract expired New contract: 3 years Reopening (on pensions only) 10-5-59 and (on economic issues) 10-1-60	6¢ per hour general increase. Additional 3¢ increase to millwrights, pipefitters, and electricians Deferred increase: 6¢ general, 10-5-59	Revised: Vacation and holiday pay
Western Electric Co., Hawthorne works, with *IBEW* at Cicero, Ill. 12,000 hourly Effective 12-22-58. Contract expired New contract: 2 years	From 5¢ to 7¢ per hour general increase. Additional 2¢ increase for skilled trades	No change
TRANSPORTATION EQUIPMENT		
American Seating Co. with *UAW* at Grand Rapids, Mich. 1,050 hourly Effective 7-1-58. Contract expired New contract: 3 years	3¢ per hour general increase; additional 2¢ to skilled trades 10¢ of current 21¢ cost of living bonus incorporated into base rates. Escalator clause Deferred increase: 3¢ per hour general, plus additional 2¢ to skilled trades 7-1-59, additional 4¢ per hour general increase 7-1-60. Skilled trades get 6¢ or 2½% whichever is greater	Added: SUB plan 7-1-59 Revised: Pension benefits
Electric Auto-Lite Co. with *UAW*. Interstate 7,600 hourly Effective 9-1-58. Contract expired New contract: 3 years	4¢ per hour plus 1¢ cost of living increase, additional 4¢ per hour for skilled trades Deferred increase: 4¢ per hour general increase 9-1-59 and 4¢ per hour general increase 9-1-60, additional 4¢ per hour for skilled trades each year	Revised: Pensions, insurance, SUB plan, overtime pay
National Lead Co., Doehler-Jarvis Division, with *UAW* at Batavia, N. Y.; Toledo, Ohio; Pottstown, Pa.; and Grand Rapids, Mich. 6,000 hourly Effective 12-1-58. Contract expired 9-1-58 New contract: 40 months	5¢ per hour general increase, 6-1-59. Additional 2¢ per hour to skilled trades	Revised: Pension and SUB plans
Sealed Power Corporation with *UAW* at Muskegon, Mich. 875 hourly Effective 11-10-58. Contract expired New contract: 40 months	Measured day work instituted Deferred increase: 6¢ per hour general increase, 11-1-59. Additional 8¢ per hour to skilled trades. 6¢ per hour, 1-1-61	Revised: Group hospital plan insurance, SUB and pension plans, cost of living adjustment
A. O. Smith Corp. with *FLU* at Milwaukee, Wis. 5,100 hourly Effective 12-1-58. Wage reopener Contract expires 11-30-59	10¢ per hour for hourly paid nonincentive workers, 9¢ for incentive workers	No change
United Aircraft Corp., Pratt & Whitney Div. with *IAM* at Hartford, Conn. 18,000 hourly Wage reopening Contract expires 12-1-59	From 7¢ to 12¢ per hour general increase	No change
Western Tool & Stamping Co. with *UAW* at Des Moines, Iowa. 400 hourly Effective 1-5-59. Contract expired 6-30-58 New contract: 4 years	4¢ per hour increase retroactive to 6-30-58 Deferred increase: 5¢ per hour, 6-30-59, additional 6¢ per hour, 6-30-61. 10¢ of the 15¢ cost of living increases frozen into wage structure	Added: 2 half holidays (Christmas Eve and New Year's Eve), SUB plan 6-30-60 (benefits begin 6-30-61) Revised: Insurance benefits

Significant Pay Settlements—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
OTHER DURABLE MANUFACTURING		
Minneapolis-Honeywell Regulator Co. with *Teamsters, ind.* at Minneapolis, Minn. 7,000 hourly Effective 1-1-59 (wage increases only) New contract: 2 years	7¢ to 14¢ per hour general increase, 16¢ per hour for skilled tool designers	Revised: Vacation pay, hospital-surgical an weekly indemnity insurance
Revere Copper & Brass Co. with *Mine, Mill & Smelter Workers, ind.* at Los Angeles and Santa Ana, Calif. 160 hourly Effective 1-30-59. Contract expired New contract: 3 years Wage reopening 1-30-60 and 1-30-61	6¢ per hour general increase. 6¢ per hour cost of living adjustment incorporated into base rates	Revised: Hospital and surgical benefits effective immediately, pension plan effective 1-1-60
Robertshaw-Fulton Controls Co. with *IAM* at Knoxville, Tenn. 105 hourly Effective 12-1-58. Contract expired New contract: 2 years	14¢ per hour general increase Deferred increase: 10¢ per hour general increase effective 12-1-59	When a holiday falls on Saturday the preceding Friday is observed as the holiday
NONDURABLES MANUFACTURING		
Federal Paperboard Co. with *Papermakers & Paperworkers* at Bogota, N. J. and Reading, Pa. 160 hourly Effective 10-1-58 and 11-1-58. Contracts expired New contract: 1 year	Bogota—3% general increase; classification adjustments; additional 1¢ on 3rd shift differential Reading—5¢ per hour general increase Revised shift differentials	Revised: Basic medical plan
Stauffer Chemical Co. with *United Mine Workers (Dist. 50)* at Niagara Falls, N. Y. 250 hourly Effective 8-19-58. Contract expired New contract: 1 year	9¢ per hour general increase. Additional 3¢ per hour to class A electricians 1¢ per hour increase in week end bonus $5 annual clothing bonus increase to employees working in areas corrosive to clothing	Added: Paid holiday Revised: Company contribution to Blue Shield coverage
Wallace & Tiernan Inc. with *Chemical Workers* at Dover, Ohio 120 hourly Effective 10-1-58. Contract expired New contract: 1 year	10¢ per hour general increase, 10¢ and 15¢ per hour shift differentials	Revised: Vacation pay, life insurance, Blue Cross, overtime pay, disability pension, normal pensions
Eastern Air Lines, with *IAM*. Interstate. 5,500 hourly Effective 10-1-57 (signed 1-59). Contract expired New contract: 3 years (expires 9-30-60)	From 26¢ to 49¢ an hour increase over the 3-year period as follows: 5% general increase 10-1-57 Additional 2% increase 4-1-58 Additional 5½% increase 10-1-58 Deferred increase: 3% general 10-1-59	Added: Severance pay, bomb explosion insurance
Northwest Airlines, Inc. with *IAM*. Interstate. 2,100 hourly Effective 10-1-57 (signed 11-58). Contract expired New contract: 3 years (expires 9-30-60)	From 24¢ to 46¢ per hour general increase over the 3-year period as follows: 5% general increase 10-1-57 Additional 2% increase 4-1-58 Additional 5½% increase 10-1-58 Deferred increase: 3% general 10-1-59	No change
Trans World Airlines, Inc. with *IAM*. Interstate. 6,100 hourly Effective 10-1-57 (signed 12-58). Contract expired New contract: 3 years (expires 10-1-60)	From 28¢ per hour to 53¢ general increase over the 3-year period as follows: 5% general increase 10-1-57 Additional 2% increase 4-1-58 Additional 5½% increase 10-1-58 Deferred increase: 3% general 10-1-59	Added: Severance pay; bomb explosion insurance
Trans World Airlines, Inc. with *IAM*. Interstate. 280 hourly (dining service employees) Effective 10-1-57 (signed 12-58). Contract expired New contract: 3 years	From 28¢ to 38¢ per hour over contract period	Same as above
Philadelphia Transportation Co. with *Transport Workers* at Philadelphia, Pa. 6,325 hourly Effective 11-16-58. Contract expired New contract: 2 years	10¢ per hour general increase Deferred increase: 8¢ per hour 1-15-60	Revised: Pension benefits, sick benefits and vacation

Significant Pay Settlements—Continued

Company, Union [1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
NONMANUFACTURING		
The Dayton Power and Light Co. with *Utility Workers* at Dayton, Ohio. 1,878 hourly Effective October, 1958. Contract expired New contract: 1 year	11¢ an hour general increase	Added: Major medical plan, total and permanent disability plan Revised: Pension plan, basic medical plan
Bituminous Coal Operators' Association, other coal producers' assns., and individual companies with *UMWA, ind.* Interstate. 180,000 mineworkers Effective 12-1-59 Open end contract which may be terminated by either party on or after 11-30-59 by 60 days notice	Deferred general increase: $1.20 per day 1-1-59; 80¢ per day 4-1-59	Revised: Increased vacation pay
Window Cleaners Contractors' Assn. with *Building Service Employees* at Chicago, Ill. 500 hourly Effective 11-1-58. Contract expired New contract: 2 years	15¢ per hour general increase	Added: Major medical insurance Revised: Additional 15¢ per hour hazardous work premium
SALARIED SETTLEMENTS		
General Telephone Co. of Ohio with *Communications Workers* in Ohio 1,500 hourly and salaried Effective 12-21-58. Contract expired New contract: 1 year	Up to 13¢ per hour depending on location Traffic employees: 2¢ to 5¢ increase Clerical employees: 2¢ to 5¢ increase Plant employees: 2¢ to 8¢ increase	Minor changes
Illinois Bell Telephone Co. with *Communications Workers* in statewide Illinois. 300 salaried Effective 2-1-59. Contract expired New contract: 15 months	$1 to $3 per week general increase	Added: 4 weeks' vacation after 30 yrs Revised: Pension plan
New York Telephone Co. with *Empire State Telephone Workers' Organization, ind.* in upstate area, 6,500 salaried Effective 12-28-58. Contract expired 6-14-58 New contract: 1 year	$1.50 to $4 per week general increase	Added: Tuition aid plan Revised: Sickness-death benefits, severance pay at age 65 for employees not qualified for pension
New York Telephone Co. with *United Telephone Organizations, ind.* in downstate area. 19,500 salaried Effective 12-21-58. Contract expired 7-9-58 New contract: 1 year	Same as above	Same as above
New York Telephone Company with *Telephone Traffic Union, ind.* in New York City, Long Island, Westchester and Rockland Counties, N. Y. 17,400 salaried Effective 11-18-58. Contract expired New contract: 1 year	$1 to $2 per week general increase	Added: Tuition aid plan Revised: Sickness-death benefits, severance pay at age 65 for employees not qualified for pension
Northwestern Bell Telephone Company with *Communications Workers* in Iowa, Minnesota, Nebraska, North Dakota, and South Dakota. 5,000 salaried Effective 2-1-59. Contract expired New contract: 15 months	$1 to $5 per week general increase	Added: 4 weeks' vacation after 30 years Revised: Benefit and pension plans
Nevi-Duty Electric Company with *Technical Engineers Assn.* 35 salaried Effective 10-15-59. Contract expired New contract: 1 year	No wage change	Added: Sliding scale company-paid sickness and accident benefit Revised: Vacations, group life insurance
Richmond Chase Co. with *Clerical Workers* at San Jose, Calif. 68 salaried Effective 9-1-58. Contract expired New contract: 14 months	$28 per month average increase, ranging from $10 to $65	Revised: Vacation, termination pay

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

(Text continued from page 104)

manently disabled employee who has fifteen or more years of service. An allowance of $3 per month per year of service plus a supplementary allowance of $55 per month are provided. However, the employee may not receive the supplementary allowance concurrently with disability benefits received under the federal social security program. And the total-disability allowance does not begin until other company disability benefits to which the employee is entitled have been exhausted, including the disability benefit provided by the group life insurance plan.

Under this arrangement, the face value of any life insurance beyond $2,000 is paid to the disabled employee in monthly installments approximately equal to the monthly amounts computed from the disability pension formula. Once started, disability allowance payments continue until the normal retirement date, or until early retirement is elected; the subsequent pension is then computed by the normal retirement or early retirement formula.

Other changes in the pension plan include a $7 increase in the minimum normal retirement benefit—from $129 per month to $136—and more liberal vesting rights. Under the old retirement plan, an employee needed to be at least age fifty with fifteen years of service for vested pension benefits. The new formula provides vesting for employees whose age and length of service equals sixty.

The basic medical plan has been improved. Hospital coverage is increased from seventy to 120 days. Room and board allowance is now paid on the basis of semi-private accommodations; formerly payment was limited to $12 per day. Also, surgical benefits are increased 50% to a maximum of $300. And previous dollar maximums have been removed on hospital charges for the fourteen-day allowance in maternity cases. Female dependents now receive the same maternity benefits as female employees.

Another feature of the contract is a new contributory major medical program that supplements the basic plan. The plan pays 80% of all medical expenses after a $100 deductible, with maximum benefits of $10,000 for each person.

An across-the-board wage increase of 11 cents an hour is also included in the agreement.

N. Beatrice Worthy
Division of Personnel Administration

Studies in Personnel Policy

No. 168—Charting the Company Organization Structure
No. 167—Clerical Salaries in Eighteen Cities
No. 166—The Alcoholic Worker
No. 165—Organization of Staff Functions
No. 164—Clerical Salaries in Twenty Cities
No. 163—The Company and the Physically Impaired Worker
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No. 139—Company Organization Charts
No. 138—Bulletin Boards
No. 137—Escalators and the New BLS Index
No. 136—Employee Magazines and Newspapers
No. 134—Cooperative Medical Programs
No. 133—Employee Savings and Investment Plans
No. 132—Stock Ownership Plans for Workers

In the March Business Record

Medical Care: Changes in Consumer Spending—The average consumer purchased more medical care in 1957 than in 1948. How much more and for what services? An important fact that emerges from this analysis of the rise in spending for hospital services, physicians' services, and medicines and appliances is the tremendous impact of health insurance plans.

Merchandising with the Weather—Replenishing a fall wardrobe depends not only on money and desire; the weather counts too! How greatly does a moderate change in fall temperature buoy or deflate demand? How lasting a consequence does a fast or slow start have on the season's over-all performance? This concluding article in a series of two on weather and retail sales shows that temperature readings early in the season can sway a potential customer for or against a purchase. Vagaries of temperature and spending for items purchased in New York department stores are examined, and sales promotion methods explored.

Capital Appropriation Plans—The 1,000 leading manufacturing companies increased appropriations for new plant and equipment in the final quarter of last year, according to the eleventh quarterly report on capital appropriations conducted by The Conference Board with the financial sponsorship of "Newsweek." This was the second straight quarter of rising appropriations after more than two years of steady decline. The current report makes preliminary inquiry into size of company as a factor in the capital spending picture.

Government Business—Some manufacturers eagerly seek government orders; other companies are more or less indifferent. Some draw a rather fine line as to the type of government order they welcome, attempting in this way to safeguard their regular production schedules and the flow of their goods through normal civilian outlets. The way companies handle government business also varies, some having set up separate government sales departments. This report treats of company policies and procedures, as well as the advantages and drawbacks executives see in having federal, state and other government units as large-scale customers.

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